

Commerce

Previous Year Solved Paper (Nov. 2017)

Time : 1¼ hours**Paper-II****Maximum Marks : 100**

Note : This paper contains fifty (50) objective type questions, each question carries two (2) marks. Attempt all the questions.

1. From the following statements of Assertion (A) and Reasoning (R), indicate the correct code :
Assertion (A) : Industrial liberalisation became an imperative condition for the growth of forces of competition leading to high efficiency and productivity in Indian industries.
Reasoning (R) : Industrial development and curbing of poverty is only possible through government intervention.

Codes :

- (1) (A) and (R) both are not correct.
- (2) (A) is correct but (R) is not the correct explanation of (A).
- (3) (A) is correct and (R) is correct explanation of (A).
- (4) (A) is not correct but (R) is correct.

2. Which of the following statements are not correct ?

Statement (I) : Sustainable development means an attempt to achieve the balance between economic growth and conservation / protection of environment.

Statement (II) : Sustainable development means meeting the needs of industries without compromising the needs of import – export balancing.

Statement (III) : Sustainable development means creation of sufficient surplus budgets through stock of capital assets including land.

Codes :

- | | |
|------------------------------|------------------------------------|
| (1) Statements (I) and (III) | (2) Statements (II) and (III) |
| (3) Statements (I) and (II) | (4) Statements (I), (II) and (III) |

3. Match items of List-I with List-II relating to macro environment of business and indicate the code of correct matching :

List-I

- (a) Economic environment
- (b) Political and government environment
- (c) Socio - cultural environment
- (d) Demographic environment

List-II

- (i) Ethical issues
- (ii) Trade and transport polities
- (iii) Economic stratification of population
- (iv) Judiciary powers

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|-------|
| (1) | (ii) | (iv) | (i) | (iii) |
| (2) | (i) | (iii) | (ii) | (iv) |
| (3) | (iv) | (ii) | (iii) | (i) |
| (4) | (iii) | (i) | (iv) | (ii) |

4. For which one of the basic reasons, the "Structural Adjustment Programme" was undertaken in India in 1991 ?
- (1) Curbing competition among private sector
 - (2) Establishing predominant role of public sector
 - (3) Establishing a free market economy
 - (4) Regional balancing through planning and licensing
5. Match the items of List-I with List-II and indicate the correct code of matching :
- | List-I | List-II |
|--------------------------------|--|
| (a) Micro external environment | (i) Economic and political factors |
| (b) Macro external environment | (ii) Competition among diverse products targeting disposable income of consumers |
| (c) Non - price competition | (iii) Input suppliers |
| (d) Desire competition | (iv) Sponsoring of events like sports |
- Codes :**
- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|-------|
| (1) | (iii) | (i) | (iv) | (ii) |
| (2) | (ii) | (iii) | (iv) | (i) |
| (3) | (iv) | (ii) | (iii) | (i) |
| (4) | (iv) | (i) | (ii) | (iii) |
6. **Assertion (A) :** Debt - equity ratio indicates the long term solvency of a company.
Reasoning (R) : It measures the ability of the company to pay off its long term liabilities.
 Select the correct answer from the code given below :
- (1) Both (A) and (R) are correct and (R) is the correct reason for (A).
 - (2) Both (A) and (R) are correct but (R) does not explain (A) correctly.
 - (3) (A) is correct but (R) is wrong.
 - (4) (A) is wrong but (R) is correct.
7. The balance of property at cost has been ₹ 20,000 and ₹ 17,000 in 2015 and 2016, respectively. The profit on the sale of property of ₹ 2,000 is credited to Capital Reserve account. New property costing ₹ 5,000 was bought in 2016. Determine the sale proceeds from property.
- | | |
|--------------|--------------|
| (1) ₹ 3,000 | (2) ₹ 7,000 |
| (3) ₹ 10,000 | (4) ₹ 15,000 |
8. Goodwill of a firm of X and Y is valued at ₹ 30,000. It is appearing in the books at ₹ 12,000. Z is admitted for 1/4 share. What amount he is supposed to bring for goodwill ?
- | | |
|-------------|--------------|
| (1) ₹ 3,000 | (2) ₹ 4,500 |
| (3) ₹ 7,500 | (4) ₹ 10,500 |
9. A Ltd. issued a prospectus inviting applications for 2,000 shares. Applications were received for 3,000 shares and pro-rata allotment was made on the applications of 2,400 shares. If A has been allotted 40 shares, how many shares he must have applied for ?
- | | |
|--------|--------|
| (1) 40 | (2) 44 |
| (3) 48 | (4) 52 |

10. Which one of the following receipts is of revenue nature ?
- (1) Amount realised from the sale of investments
 - (2) Dividend received on investment
 - (3) Amount borrowed from a bank
 - (4) Compensation received from municipal corporation for the acquisition of land for the construction of road.

11. **Statement (I) :** Business decision makers deal with the complex, rather chaotic, business conditions of the real world and have to find the way to their destination, i.e., achieving the goal that they set for themselves.

Statement (II) : Even without application of economic logic and tools of analysis, business decisions are always rational and real are not counter productive.

Codes :

- (1) Both the statements are correct.
 - (2) Both the statements are incorrect.
 - (3) Statement (I) is correct while statement (II) is incorrect.
 - (4) Statement (I) is incorrect while statement (II) is correct.
12. Which one of the following statements is true ?
- (1) Pure profit is the return in excess of the opportunity cost
 - (2) Accounting profit is the excess of total revenue over and above the explicit and implicit costs
 - (3) Profit maximization is the sole objective of the modern firms
 - (4) Profit is maximum when the difference between marginal revenue and marginal cost is maximum
13. Which one of the following is not the assumption on which the theory of consumer behaviour is based on the cardinal utility approach ?
- (1) Rationality
 - (2) Constant marginal utility from successive units
 - (3) Constant marginal utility of money
 - (4) Utility is measurable

14. **Statement (I) :** Point price elasticity of demand in terms of marginal and average revenues can be measured with the following formula :

$$\frac{AR}{AR - MR}$$

Statement (II) : The point elasticity of demand is the product of the slope of the demand function and the ratio between corresponding price and quantity.

Codes :

- (1) Both the statements are correct.
- (2) Both the statements are incorrect.
- (3) Statement (I) is correct while statement (II) is incorrect.
- (4) Statement (I) is incorrect while statement (I) is correct.

15. Which of the following is not the basic property of indifference curves ?
- (1) Negative slope
 - (2) Indifference curves of two imperfect substitutes are concave to the point of origin
 - (3) The indifference curves do not intersect nor are they tangent to one another
 - (4) Upper indifference curves indicate a higher levels of satisfaction
16. The scale of measurement which has no order, distance and unique origin is known as which one of the following ?
- (1) Nominal scale
 - (2) Ordinal scale
 - (3) Interval scale
 - (4) Ratio scale
17. The formula to determine the number of classes given by Sturge's Rule is which one of the following ?
- (1) $K = 1 + 3.322 (\log N)$
 - (2) $K = (\log N) 1.322$
 - (3) $K = \frac{1 + 3.322}{(\log N)}$
 - (4) $K = \frac{3.322}{(\log N) + 1}$

Where K = Number of classes

N = Total number of observations

(log N) = Logarithm of the total number of observations

18. Which one of the following is not the characteristics of normal distribution ?
- (1) Bell - shaped and symmetric
 - (2) Mean, Median and Mode of the distribution are equal
 - (3) The total area under the curve for the normal probability distribution is one
 - (4) The two tails of the distribution in both the directions touches the horizontal axis
19. **Assertion (A) :** A reasonably sized sample drawn randomly from large sized population contains almost all the characteristics which exist in the population.
- Reasoning (R) :** The Theory of sampling is based on the two important laws of statistics viz., Law of statistical Regularity and law of inertia of large numbers.
- Codes :**
- (1) Both (A) and (B) are correct and (R) is the complete explanation of (A).
 - (2) Both (A) and (R) are correct but (R) is not the complete explanation of (A).
 - (3) (A) is not correct while (R) is correct.
 - (4) Both (A) and (R) are not correct.

20. **Statement (I) :** If the alternative hypothesis is as $H_a : \mu \neq \mu_0$; a researcher requires two tailed test in hypothesis - testing.
- Statement (II) :** The mean of the sampling distribution of mean is not equal to the parametric value of mean.

Codes :

- (1) Both the statements are true.
- (2) Both the statements are false.
- (3) Statement (I) is true, while statement (II) is false.
- (4) Statement (I) is false, while statement (II) is true.

21. Match the items of List-I with List-II; and choose the correct code of combination :

List-I		List-II	
(a)	The fundamentals of Top Management	(i)	Peter F. Drucker
(b)	Middle Management	(ii)	R.C. Davis
(c)	The Essence of Management	(iii)	E.L.F. Brech
(d)	Principles and Practice of Management	(iv)	Mary Caushing Nile

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(iv)	(iii)	(i)
(2)	(ii)	(iv)	(i)	(iii)
(3)	(ii)	(iii)	(i)	(iv)
(4)	(iii)	(iv)	(i)	(ii)

22. **Statement (I)** : Management is not just a creature of the economy ; it is a creator as well.
Statement (II) : He who can manage, can manage anything.

Codes :

- (1) Statement (I) is correct but (II) is incorrect.
- (2) Statement (II) is correct but (I) is incorrect.
- (3) Both the statements (I) and (II) are incorrect.
- (4) Both the statements (I) and (II) are correct.

23. **Assertion (A)** : Due to these experiments (Time, Motion and Fatigue Studies) a factory does not remain a factory. It is converted into a laboratory.

Reasoning (R) : Management succeeds or fails as human relations in business are intelligently or unintelligently handled.

Codes :

- (1) Both (A) and (R) are correct and (R) is the right explanation of (A).
- (2) Both (A) and (R) are correct but (R) is not the right explanation of (A).
- (3) (A) is correct but (R) is not correct.
- (4) (R) is correct but (A) is not correct.

24. Who among the following is not associated with theories of motivation ?

- | | |
|------------------------|----------------------|
| (1) A.H. Maslow | (2) Cris Argyris |
| (3) Frederick Herzberg | (4) Peter F. Drucker |

25. As per the Herzberg's Hygiene Theory of motivation, which among the following is not a motivational factor ?

- | | |
|--------------------|------------------------|
| (1) Recognition | (2) Working Conditions |
| (3) Responsibility | (4) Achievements |

26. When Walt Disney World's Magic kingdom lets customers visit a fairy kingdom, a pirate ship or a haunted house, then what is marketed in this example ?

- | | |
|-----------------|------------|
| (1) Services | (2) Events |
| (3) Experiences | (4) Ideas |

27. Which one of the following statements is true according to VALS framework of psychographic segmentation ?
- (1) The consumers who are primarily motivated by ideals are guided by knowledge and principles.
 - (2) The consumers who are motivated by achievement look for knowledge and principles.
 - (3) The consumers who are motivated by self expression don't desire social or physical activity, variety, and risk.
 - (4) The consumers who are motivated by achievement desire social or physical activity, variety, and risk.
28. From the following two statements of Assertion (A) and Reason (R), indicate the correct Code:
Assertion (A) : A transformational appeal of communication elaborates on a non-product related benefit or image.
Reasoning (R) : Transformational appeals often do not attempt to stir up emotions that will motivate purchase.
Codes :
- (1) (A) and (R) both are correct. (2) (A) is correct (R) is not correct.
 - (3) (A) is not correct (R) is correct. (4) (A) and (R) both are incorrect.
29. Select the correct sequence for Hierarchy-of-effects model related to marketing communication:
- (1) Awareness → Knowledge → Liking → Preference → Conviction → Purchase
 - (2) Knowledge → Awareness → Liking → Conviction → Preference → Purchase
 - (3) Awareness → Liking → Knowledge → Conviction → Preference → Purchase
 - (4) Liking → Awareness → Knowledge → Preference → Conviction → Purchase
30. Match the items of List-I with the items of List-II and denote the code of correct matching:
- | List-I | List-II |
|-----------------------|---|
| (a) Basic Product | (i) Set of attributes and conditions buyers normally expect |
| (b) Expected Product | (ii) Possible augmentation and transformation the product might undergo in future |
| (c) Augmented Product | (iii) Exceed customer expectations |
| (d) Potential Product | (iv) Converting core benefits into product |
- Codes** :
- | | (a) | (b) | (c) | (d) |
|-----|------------|------------|------------|------------|
| (1) | (iii) | (iv) | (i) | (ii) |
| (2) | (i) | (iii) | (iv) | (ii) |
| (3) | (i) | (iv) | (iii) | (ii) |
| (4) | (iv) | (i) | (iii) | (ii) |
31. Which of the following statements is false ?
- (1) The opportunity cost of an input is considered in capital budgeting
 - (2) Capital budgeting decisions are reversible in nature
 - (3) Cash flows and accounting profits are different
 - (4) An expansion decision is a capital budgeting decision

32. Match the items of List-I with those of List-II and indicate the correct code :

List-I		List-II	
(a)	ABC Analysis	(i)	Dividend Decision
(b)	Walter Model	(ii)	Capital Budgeting Decision
(c)	Capital Rationing	(iii)	Capital Structure Decision
(d)	Net Operating Income Approach	(iv)	Working Capital Management Decision

Codes :

	(a)	(b)	(c)	(d)
(1)	(i)	(iii)	(ii)	(iv)
(2)	(ii)	(i)	(iii)	(iv)
(3)	(iv)	(i)	(ii)	(iii)
(4)	(iii)	(i)	(ii)	(iv)

33. Main objective of employing Financial Leverage is to :

- (1) Reduce the risk associated with profits
- (2) Maintain the stability in profits
- (3) Decrease the cost of debt capital
- (4) Magnify the return on equity share capital

34. Which one of the following is not a method of calculating cost of equity capital?

- | | |
|------------------------------|---------------------------------------|
| (1) Dividend yield method | (2) Dividend yield plus growth method |
| (3) Yield to maturity method | (4) Earnings yield method |

35. Which one of the following equates the present value of cash out flows and the present value of expected cash inflows from a project ?

- | | |
|-----------------------|-------------------------------|
| (1) Net Present Value | (2) Internal Rate of Return |
| (3) Pay back Period | (4) Accounting Rate of Return |

36. Which one of the following is not true ?

- (1) Material resources are subject to laws of mechanics and they cannot have an output greater than the input.
- (2) Human resources are capable of exponential growth and development.
- (3) Human resources cannot yield an output that may be far greater than what the value of their input warrants.
- (4) In current scenario, gradually, the emphasis has shifted from muscle power to use of mind power.

37. The pluralistic approach of industrial conflict is based on which one of the following basic assumption / premise ?

- (1) The conflict occurs when the tendency of industrial society is to treat worker as an isolated individual and deprive him of all control over his environment
- (2) That an enterprise contain people with coalition of different interests
- (3) That industrial conflict is a part of the broader social conflict between classes
- (4) That no consensus is possible, in case of conflicts, because people are with different socio - cultural backgrounds.

38. The Job Description Index (JDI) Technique is used for measuring which one of the following ?
- | | |
|--------------------------|-----------------------------------|
| (1) Job attitudes | (2) Job descriptions/ definitions |
| (3) Job analysis records | (4) Job skill requirements |

39. From the following two statements of Assertion (A) and Reasoning (R) indicate the correct code:
Assertion (A) : Development in HRM is a short-term educational process with temporary intervention.

Reasoning (R) : It is a educational process utilizing as systematic and organized procedure for development of operative employees performance in current jobs.

Codes :

- | |
|---|
| (1) (A) is correct and (R) is correct explanation of (A). |
| (2) (A) is correct but (R) is not correct explanation of (A). |
| (3) (A) is not correct but (R) is correct. |
| (4) (A) and (R) both are not correct. |

40. Match items of List-I with List-II relating to methods of performance appraisal and indicate the correct code of matching.

List-I

- | |
|--------------------------------------|
| (a) Paired comparison method |
| (b) Forced choice description method |
| (c) Critical Incidents method |
| (d) Field review method |

List-II

- | |
|--|
| (i) Reviewing employee records and holding interview on definite test questions. |
| (ii) Set of pair phrases or descriptive statements |
| (iii) Differentiating between effective and non - effective performance on basis of achievements |
| (iv) Relative ranking method |

Codes :

- | | | | | |
|-----|------------|------------|------------|------------|
| | (a) | (b) | (c) | (d) |
| (1) | (iv) | (ii) | (iii) | (i) |
| (2) | (ii) | (iii) | (iv) | (i) |
| (3) | (iii) | (i) | (iv) | (ii) |
| (4) | (ii) | (iv) | (i) | (iii) |

41. Match the following items of List-I with the items of List-II and indicate the code of correct matching :

List-I

(Name of Organisation)

- | |
|------------------|
| (a) IDBI |
| (b) ICICI |
| (c) LIC of India |
| (d) SIDBI |

List-II

(Year of Establishment)

- | |
|------------|
| (i) 1956 |
| (ii) 1955 |
| (iii) 1990 |
| (iv) 1964 |

Codes :

- | | | | | |
|-----|------------|------------|------------|------------|
| | (a) | (b) | (c) | (d) |
| (1) | (iii) | (i) | (ii) | (iv) |
| (2) | (iii) | (i) | (iv) | (ii) |
| (3) | (iv) | (ii) | (i) | (iii) |
| (4) | (i) | (ii) | (iii) | (iv) |

42. **Statement (I)** : Capital adequacy norms help banks in strengthening their capital base.
Statement (II) : Capital adequacy norms help banks in sanctioning more loans.
Codes :
- (1) Both the Statements (I) and (II) are correct.
 - (2) Both the Statements (I) and (II) are incorrect.
 - (3) Statements (I) is correct but (II) is incorrect.
 - (4) Statements (I) is incorrect but (II) is correct.
43. What is Hawala ?
- (1) Tax evasion
 - (2) Illegal trading in stock exchanges
 - (3) Bank robbery
 - (4) Illegal transactions of foreign exchange
44. Read the following events :
- (i) Capital adequacy norms for commercial banks
 - (ii) Establishment of IDBI
 - (iii) Allowing convertibility of rupee at the market rate in the current account.
 - (iv) Nationalisation of general insurance business
- Arrange the events in the ascending order or their occurrence :
- | | |
|----------------------------|----------------------------|
| (1) (i), (ii), (iii), (iv) | (2) (iv), (iii), (ii), (i) |
| (3) (iv), (ii), (i), (iii) | (4) (i), (ii), (iv), (iii) |
45. **Assertion (A)** : The future will see mostly the electronic money clearance through satellite networking.
Reasoning (R) : RBI is encouraging e-banking.
Codes :
- (1) (A) is true but (R) is false.
 - (2) (A) is false but (R) is true.
 - (3) Both (A) and (R) are true and (R) is the correct explanation of (A).
 - (4) Both (A) and (R) are true but (R) does not support (A).
46. **Statement (I)** : Developing countries can borrow more than their quota under Extended Fund Facility (EFF) of IMF.
Statement (II) : The Extended Fund Facility (EFF) was created in 1984 to help the developing countries over longer period upto 3 years.
Codes :
- (1) Statement (I) is correct but (II) is not correct.
 - (2) Statement (II) is correct but (I) is not correct.
 - (3) Both the statements (I) and (II) are correct.
 - (4) Both the statements (I) and (II) are not correct.

47. Match the items of List-I with those of List-II; and choose the correct code of combination:

List-I		List-II	
(a)	Poverty Reduction and Growth Facility (PRGF)	(i)	1997
(b)	Supplemental Reserve Facility (SRF)	(ii)	1974
(c)	Extended Fund Facility (EFF)	(iii)	1999

Codes :

	(a)	(b)	(c)
(1)	(iii)	(i)	(ii)
(2)	(iii)	(ii)	(i)
(3)	(ii)	(i)	(iii)
(4)	(i)	(iii)	(ii)

48. Who among the following has given Absolute Advantage Model of international trade ?

(1)	Adam Smith	(2)	David Ricardo
(3)	Hackscher Ohlin	(4)	William Petty

49. Which among the following is not an international economic institution ?

(1)	IMF	(2)	IBRD
(3)	ADB	(4)	IFRS

50. **Assertion (A)** : The fall in a aggregate expenditure or aggregate demand in the economy works to reduce imports and help in solving the balance of payment problems.

Reasoning (R) : The important way to reduce imports and thereby reduce deficit in balance of payments is to adopt monetary and fiscal policies that aims at reducing aggregate expenditure in the economy.

Codes :

- (1) (A) and (R) both are correct and (R) supports (A).
- (2) (A) and (R) both are correct but (R) does not support (A).
- (3) (A) is correct but (R) is incorrect.
- (4) (R) is correct but (A) is incorrect.

ANSWER KEY

1	2	3	4	5	6	7	8	9	10
2	2	1	3	1	1	3	3	3	2
11	12	13	14	15	16	17	18	19	20
3	1	2	1	2	1	1	4	1	3
21	22	23	24	25	26	27	28	29	30
9	4	2	4	2	3	1	2	1	4
31	32	33	34	35	36	37	38	39	40
2	3	4	3	2	3	2	1	4	1
41	42	43	44	45	46	47	48	49	50
3	3	4	9	3	1	1	1	4	1

9 = ALL, A = 12, B = 13, C = 14, D = 123, E = 124, F = 134, G = 1234, H = 23, I = 24, J = 234, K = 34

SOLUTION

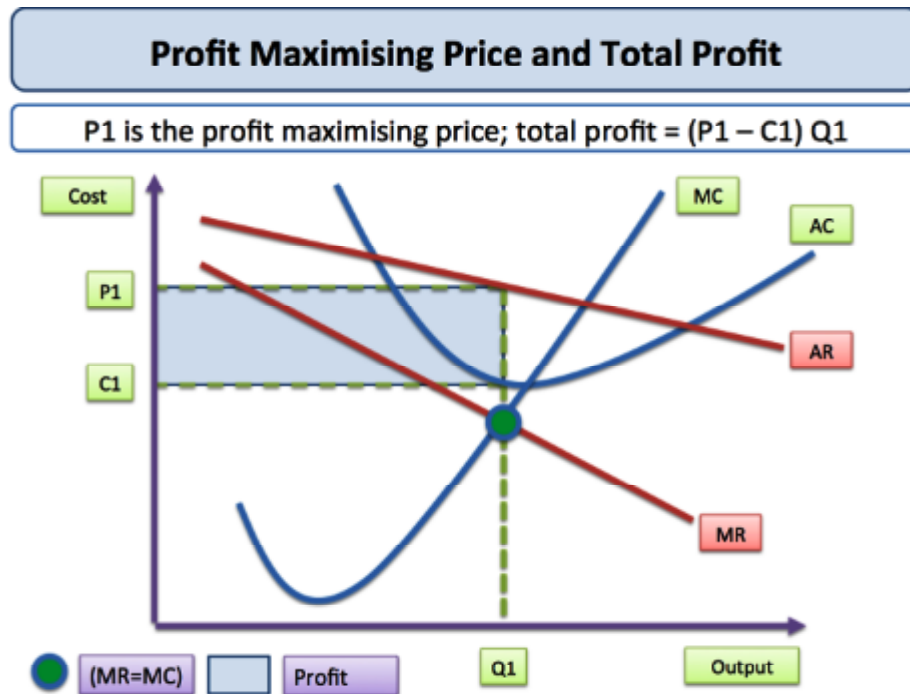
1. (2) The new policies have liberalized many government controls on production capacity, imported capital goods, intermediate inputs and technology. The main thrust of these reforms has been on openness, that is, import liberalisation and removing barriers to exports.
2. (2) Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
3. (1)

List-I	List-II
(a) Economic environment	(i) Trade and transport polities
(b) Political and government environment	(ii) Judiciary power
(c) Socio - cultural environment	(iii) Ethical Issue
(d) Demographic environment	(iv) Economic stratification of population
4. (3) In 1991, India faced an unprecedented balance of payments crisis. Important element of new economic policy is the adoption of what are called Structural Adjustment Reforms which sought to change the nature of Indian economic system by ultimately establishing a free market economy. Under this structural adjustment programme, the role of public sector in economic development had been diluted and that of private sector enhanced and expanded.
5. (1)

List-I	List-II
(a) Micro external environment	(i) Input suppliers
(b) Macro external environment	(ii) Economic and Political factors
(c) Non - price competition	(iii) Sponsoring of event like sports
(d) Desire competition	(iv) Competition among diverse products targeting disposal income of consumers
6. (1) To check the ability of the company of meeting its long term obligations following ratios are used.
 - Interest Coverage Ratio
 - Debt / Equity Ratio
7. (3) The sale proceeds from property
$$= 20,000 + 2000 + 5000 - 17,000$$

$$= 10,000$$
8. (3) Z is supposed to bring for goodwill
$$= \frac{30000}{4} = 7500$$
9. (3) A applied for
$$= \frac{2400 \times 40}{2000} = 48 \text{ shares}$$
10. (2) Dividend received on investment
11. (3) Statement (I) is correct while statement (II) is incorrect.

12. (1) Pure profit or economic profit is profit that is determined by capturing the explicit and implicit costs or what are generally known as opportunity costs. Accounting profit is a company's total earnings, calculated according to generally accepted accounting principles (GAAP). It includes the explicit costs of doing business, such as operating expenses, depreciation, interest and taxes.



13. (2) The cardinal utility approach used in analyzing the consumer behavior depends on the following assumptions
- Rationality
 - Limited Resources (Money)
 - Maximize Satisfaction
 - Utility is cardinally Measurable: 1 Util = 1 unit of money.
 - Diminishing Marginal Utility
 - Marginal Utility of Money is Constant
 - Utility is Additive
14. (1) Both the statements are correct.
15. (2) Basic properties of indifference curves are :
1. They Slope Negatively or Slope Downwards from the Left to the Right.
 2. They are Convex to the Origin of Axes.
 3. Every Indifference Curve to the right represents Higher Level of Satisfaction than that of the Proceeding One.
 4. Indifference Curves can neither touch nor Intersect each other, so that one Indifference Curve Passes through only one Point on an Indifference Map.
 5. Indifference Curves are not Necessarily Parallel to each other. Although, they are Falling and Negatively Inclined to the Right.
 6. In reality, Indifference Curves are like Bangles.

16. (1)

Measurement Scales Differ by What Scale Characteristics They Possess					
		Scale Characteristics			
Level of Measurement		Description	Order	Distance	Origin
Categorical scales	Nominal	Yes	No	No	No
	ordinal	Yes	Yes	No	No
Metric scales	Interval	Yes	Yes	Yes	No
	ratio	Yes	Yes	Yes	Yes

17. (1) The magnitude of class interval depends on range and number of classes. The range is the difference between the highest and smallest values in the data series. A class interval is generally in the multiples of 5, 10, 15 and 20.

Sturge's formula to find number of classes is given below :

$$K = 1 + 3.322 \log N$$

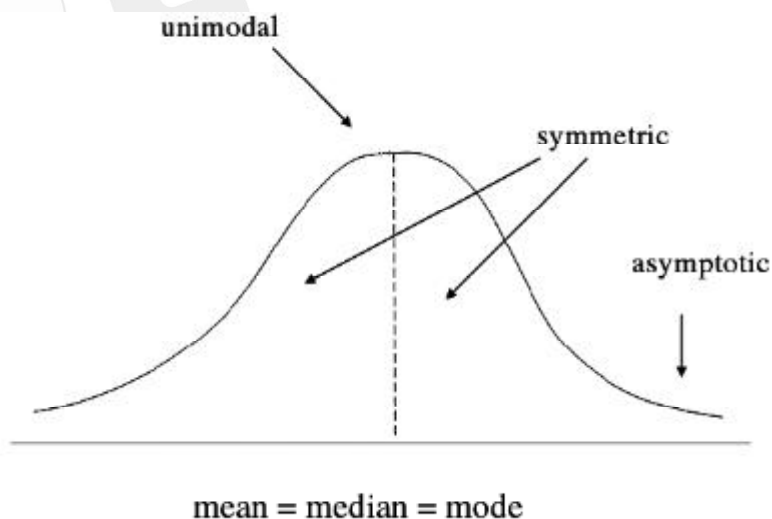
Where, K = Number of classes

N = Total number of observations

(log N) = Logarithm of the total number of observations

18. (4) Characteristics of normal distribution are :

- Normal distributions are symmetric around their mean.
- The mean, median, and mode of a normal distribution are equal.
- The area under the normal curve is equal to 1.0.
- Normal distributions are denser in the center and less dense in the tails.
- Normal distributions are defined by two parameters, the mean (μ) and the standard deviation (σ).
- 68% of the area of a normal distribution is within one standard deviation of the mean.
- Approximately 95% of the area of a normal distribution is within two standard deviations of the mean.



19. (1) **The law of Statistical Regularity** : It is a corollary to the main theory of probability which speaks of the mathematical expectations of the success, or failure of an event. Basing upon this, the Law of 'Statistical regularity' tells us that a random selection from a universe is likely to give a representative sample.

As such the law of statistical regularity rests on two important points viz.

1. Largeness of the sample size, and
2. Selection of the samples at random.

The Law of Inertia of Large Numbers : This law is an extension of the law of statistical regularity described above. According to this law “Large numbers are relatively more inert (constant) and stable than small ones, and therefore, other things remaining the same, as the sample size increases, the results tend to be more reliable and accurate.”

20. (3) Upper-tailed, Lower-tailed, Two-tailed Tests

The research or alternative hypothesis can take one of three forms. An investigator might believe that the parameter has increased, decreased or changed. For example, an investigator might hypothesize:

1. $H_1: \mu > \mu_0$, where μ_0 is the comparator or null value (e.g., $\mu_0 = 191$ in our example about weight in men in 2006) and an increase is hypothesized - this type of test is called an **upper-tailed test**;
2. $H_1: \mu < \mu_0$, where a decrease is hypothesized and this is called a **lower-tailed test**; or
3. $H_1: \mu \neq \mu_0$, where a difference is hypothesized and this is called a **two-tailed test**.

A parameter is a number describing a population, such as a percentage or proportion. For large samples, we might expect that sample means will not stray too far.

21. (9)

22. (4) Both the statements (I) and (II) are correct.

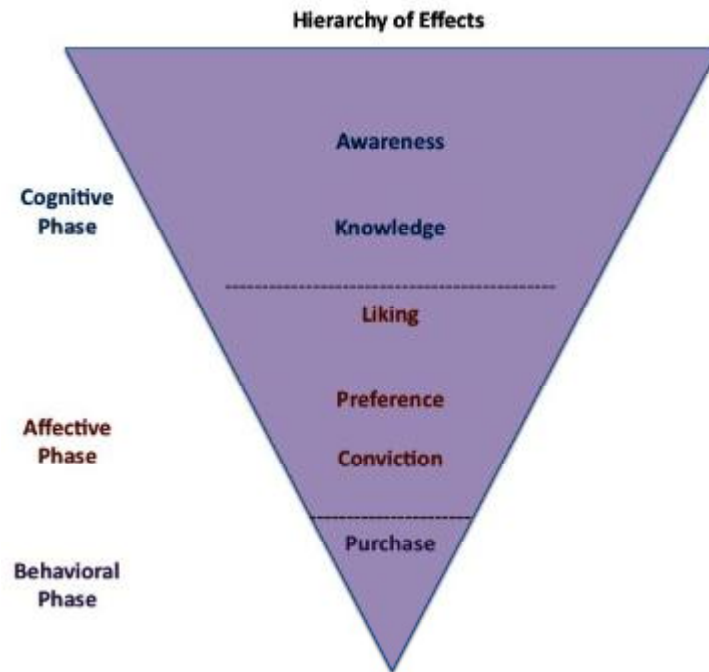
23. (2) Both (A) and (R) are correct but (R) is not the right explanation of (A).

24. (4)



Management by objectives (MBO), also known as management by results (MBR), was first popularized by Peter Drucker in his 1954 book -The Practice of Management.

25. (2) **Two-Factor Theory Distinguishes Between** : Motivators (e.g. challenging work, recognition for one's achievement, responsibility, opportunity to do something meaningful, involvement in decision making, sense of importance to an organization) that give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth, and Hygiene factors (e.g. status, job security, salary, fringe benefits, work conditions, good pay, paid insurance, vacations) that do not give positive satisfaction or lead to higher motivation, though dissatisfaction results from their absence. The term "hygiene" is used in the sense that these are maintenance factors. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages/salary. Herzberg often referred to hygiene factors as "KITA" factors, which is an acronym for "kick in the ass", the process of providing incentives or threat of punishment to make someone do something.
26. (3) The premise is to create a closer bond between the consumer and the brand by immersing them in a fun and memorable experience.
When Walt Disney World's Magic kingdom lets customers visit a fairy kingdom, a pirate ship or a haunted house, then what is marketed in this example Experience .
27. (1) The main dimensions of the VALS framework are resources (the vertical dimension) and primary motivation (the horizontal dimension).
The vertical dimension segments people based on the degree to which they are innovative and have resources such as income, education, self-confidence, intelligence, leadership skills, and energy.
The horizontal dimension represents primary motivations and includes three distinct types:
- Consumers driven by knowledge and principles are motivated primarily by ideals. These consumers include groups called Thinkers and Believers.
 - Consumers driven by demonstrating success to their peers are motivated primarily by achievement. These consumers include groups referred to as Achievers and Strivers.
 - Consumers driven by a desire for social or physical activity, variety, and risk taking are motivated primarily by self-expression. These consumers include the groups known as Experiencers and Makers.
28. (2) A transformational appeal elaborates on a non-product-related benefit or image. It might depict what kind of person uses a brand or what kind of experience results from the brand Transformational appeals often attempt to stir up emotions that will motivate purchase.
An informational appeal elaborates on product or service attributes or benefits. Informational appeals assume very rational processing of the communication on the part of the consumer.
29. (1) **Hierarchy of Effects Theory**
- The hierarchy of effects model is a model which tells advertisers to make an advertisement in such a way that the customer goes through all these six stages namely awareness, knowledge, liking, preference, conviction and purchase.
 - It is created by Robert J Lavidge and Gary A Steiner in 1961, the hierarchy of effects model suggests six steps to consumer buying behaviour.



30. (4) **List-I** **List-II**
- | | |
|-----------------------|---|
| (a) Basic Product | (i) Converting core benefit into product |
| (b) Expected Product | (ii) set of attributes and conditions buyers normally expect |
| (c) Augmented Product | (iii) Exceed customer expectations |
| (d) Potential Product | (iv) Possible augmentation and transformation the product might undergo in future |
31. (2) Capital budgeting decisions are reversible in nature
32. (3) **List-I** **List-II**
- | | |
|-----------------------------------|---|
| (a) ABC Analysis | (i) Working capital Management Decision |
| (b) Walter Model | (ii) Dividend Decision |
| (c) Capital Rationing | (iii) Capital Budgeting Decision |
| (d) Net Operating Income Approach | (iv) Capital Structure Decision |
33. (4) Magnify the return on equity share capital
34. (3) Cost of equity share is the part of cost of capital which allows the payment to only the equity shareholders. In this every shareholders get the shares for getting the return on the shares on which they are investing so much. From company's perspective the company must earn more than cost of equity capital in order to be unaffected by the market value of the shares of its.
- To measure the cost of equity shares we have to follow the following ways :
- Dividend Yield Method or Price Ratio Method** :In this the minimum rate of cost of equity shares will be equal to the "present value of future dividend per share with current price of a share".

$$\text{Cost of equity shares} = \frac{\text{Dividend per equity}}{\text{Market price}}$$
 - Dividend Yield Plus Growth in Dividend Method** :It is based on the theory that company is growing and its shares market value is also on growth. So, because of this shareholders are in need of simple dividend, so that company can provide the profit to them according to the growth.

To calculate this formula is as follows :

Cost of equity share = Dividend per equity/Market Price

+ Rate of growth in dividends

3. **Earning Yield Method** : In this cost of equity capital is minimum and the earning of the company should be considered on market price of share. The formula for this is as follows :

Cost of equity share = Earning per share/Market Price per share

4. **Realised Yield Method** : This method removes the drawback which in the dividend yield method or earning yield method as both are based on future estimation of dividend or earning. In the economics there are many factors which can't be controlled and are very uncertain and if the risk is involved then the future planning can't be used and the decision related estimation return on investment can't be considered. It is based on actual earning which is earned on the amount of investment. The equity share capital is calculated as :

Cost of equity share = Actual earning per share * 100

35. (2) The internal rate of return (IRR) on a project is the rate of return at which the projects NPV equals zero. At this point, a project's cash flows are equal to the project's costs. Similar to how management must establish a maximum payback period, management must also set what is known as a "hurdle rate", the minimum rate of return a company will accept for a project.

When a project is reviewed with a hurdle rate in mind, the greater the IRR is above the hurdle rate, the greater the NPV, and conversely, the further the IRR is below the hurdle rate, the lower the NPV.

For the IRR, the decision rules are as follows :

If IRR > hurdle rate, accept the project.

If IRR < hurdle rate, reject the project.

36. (3) Human resources cannot yield an output that may be far greater than what the value of their input warrants.

37. (2) **Pluralistic-Perspective**

- In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions.
- This approach sees conflicts of interest and disagreements between managers and workers over the distribution of profits as normal and inescapable.
- Consequently, the role of management would lean less towards enforcing and controlling and more toward persuasion and co-ordination.
- Trade unions are deemed as legitimate representatives of employees. Conflict is dealt by collective bargaining and is viewed not necessarily as a bad thing and if managed could in fact be channeled towards evolution and positive change.
- Realistic managers should accept conflict to occur. There is a greater propensity for conflict rather than harmony.

38. (1) The JDI and related scales are frequently used by academic researchers and workplace professionals as a means of measuring employee attitudes such as job satisfaction. These scales are easy to administer, easy to read, simple in format, and scores may be compared to those from a nationally-representative sample of United States workers.

39. (4) (A) and (R) both are not correct.

- 40. (1)**
- | List-I | List-II |
|--------------------------------------|--|
| (a) Paired comparison method | (i) Relative ranking method |
| (b) Forced choice description method | (ii) Set of pair phrases or descriptive statements |
| (c) Critical Incidents method | (iii) Differentiating between effective and non - effective performance on basis of achievements |
| (d) Field review method | (iv) Reviewing employee records and holding interview on definite test questions. |
- 41. (3)**
- | List-I | List-II |
|-------------------------------|--------------------------------|
| (Name of Organization) | (Year of Establishment) |
| (a) IDBI | (i) 1964 |
| (b) ICICI | (ii) 1955 |
| (c) LIC of India | (iii) 1956 |
| (d) SIDBI | (iv) 1990 |
- 42. (3)** It is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures.
This ratio is used to protect depositors and promote stability and efficiency of financial systems around the world.
- 43. (4)** It is an informal way of transferring money based on verbal assurance. It is carried out by a huge network of brokers mainly located in Middle East, North Africa, The horn of Africa and the Indian Subcontinent.
In simple words it is transfer of money without moving it, the process will have no traces or evidences left. Hawala system is mainly used to transfer money among long distant countries.
- 44. (9)** In August 1994, the Government of India declared full convertibility of Rupee on Current account with announcing some relaxations as per requirements of the Article VIII of the IMF.
In the year 1992-93 the Narasimhan Committee submitted its first report and recommended that all the banks are required to have a minimum capital of 8% to the risk weighted assets of the banks. The ratio is known as Capital to Risk Assets Ratio (CRAR). All the 27 Public Sector Banks in India (except UCO and Indian Bank) had achieved the Capital Adequacy Norm of 8% by March 1997.
55 Indian insurance companies and 52 other general insurance operations of other companies were nationalized. It was incorporated on 22 November 1972.
- 45. (3)** Both (A) and (R) are true and (R) is the correct explanation of (A).
- 46. (1)** The Extended Fund Facility was created in 1974 to help the developing countries over longer periods (upto 3 years) than stand-by arrangements (12-18 months). Further, in this facility developing countries can borrow more than their quota. The loans taken under this facility can be paid back over a period of 4-10 years.
- 47. (1)** On December 17, 1997, the International Monetary Fund (IMF) Board approved the establishment of the Supplemental Reserve Facility (SRF),
SRF has been put in place to provide financial assistance to a member country experiencing exceptional balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves.

In September 1999, the IMF established the Poverty Reduction and Growth Facility (PRGF) to make the objectives of poverty reduction and growth more central to lending operations in its poorest member countries.

The Extended Fund Facility was created in 1974 to help the developing countries over longer periods (upto 3 years) than stand-by arrangements (12-18 months). Further, in this facility developing countries can borrow more than their quota. The loans taken under this facility can be paid back over a period of 4-10 years.

48. (1) Absolute advantage is predominantly a theory of international trade according to which a country can produce a good more efficiently than other countries. Countries that have an absolute advantage can decide to specialize in producing and selling a specific product or service and use the funds generated to purchase the goods and services that it requires from other countries. The idea of absolute advantage was pioneered by Adam Smith in the late 18th century as part of his division of labor doctrine.
49. (4) An international economic institution is regarded as a global international economic institution if membership is open to states from all parts of the world and without attaching any conditions based on ethnic link, religious or political beliefs of such states. The mere fact that membership of an international economic institution has not been spread over a wide area of the globe will not affect the issue as to whether such as institution is global or not, provided that the conditions already mentioned are satisfied. Examples of such economic institutions are GATT, IBRD, IMF, IDA and UNCTAD.
- The International Financial Reporting Standards, usually called the IFRS Standards, are standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries.
50. (1) (A) and (R) both are correct and (R) supports (A).

Commerce

Previous Year Solved Paper (Nov. 2017)

Time : 2½ hours**Paper-III****Maximum Marks : 150**

Note : This paper contains seventy five (75) objective type questions, each question carries two (2) marks. Attempt all the questions.

1. **Assertion (A) :** Buyers, for several industries, are potential competitors-they may integrate backwards.

Reason (R) : They have different degrees of bargaining power.

Codes :

- (1) (A) and (R) are correct and (R) is the correct reasoning of (A).
- (2) (A) and (R) are correct and (R) is not the correct reasoning of (A).
- (3) (A) is incorrect while (R) is a correct statement.
- (4) Both (A) and (R) are incorrect.

2. Which one of the following is the governing factor in deciding the type of redressal agency which will deal with the dispute of a consumer ?

- (1) Area of sale of goods and services
- (2) Type of goods and services sold
- (3) The choice of the consumer
- (4) The value of goods and services sold

3. Match **List-I** with **List-II** relating to the roles played by government in an economy and indicate the correct code of their matching.

List-I

- (a) Regulatory role
- (b) Promotional role
- (c) Entrepreneurial role
- (d) Planning role

List-II

- (i) Deciding timing and usage of resources
- (ii) Capital intensive projects of public sector
- (iii) Imposing of high import duty
- (iv) Measure to control and cover risk in priority sectors

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|------|-------|
| (1) | (iv) | (ii) | (i) | (iii) |
| (2) | (iii) | (i) | (iv) | (ii) |
| (3) | (iii) | (iv) | (ii) | (i) |
| (4) | (i) | (iii) | (iv) | (ii) |

4. Which one of the following statement is not correct relating to competition policy and Law ?
- (1) Collusion and dominance have potential for unfair competition.
 - (2) The appeal against decisions of competition commission of India can be made to the competition Appellate Tribunal.
 - (3) State monopolies, government's business policies and functioning of Regulatory Authorities cannot be scrutinized under this law.
 - (4) Abuse of dominance rather than dominance should be the key for competition Policy/Law.
5. Which one of the following is **not** correct with reference to standard costing ?
- (1) Standard costing is a system where pre determined costs are used for control of entire organisation.
 - (2) Standard may be expressed in quantitative and monetary measures.
 - (3) Only adverse variances are investigated intensively
 - (4) Standard is determined for each element of cost
6. Which one of the following is **not** correct ?
- (1) $\text{Margin of Safety} = \frac{\text{Profit}}{\text{P / V ratio}}$
 - (2) $\text{P/V Ratio} = \frac{\text{Change in Contribution}}{\text{Change in sales}} \times 100$
 - (3) $\text{Break-even point in units} = \frac{\text{Fixed cost}}{\text{Contribution per unit}}$
 - (4) $\text{Required sales to earn desired profits} = \frac{\text{Desired profit}}{\text{P / V ratio}}$
7. Schedule III part II of the companies Act, 2013 deals with which one of the following ?
- (1) Format of balance sheet
 - (2) Format of profit and loss Account
 - (3) Format of Trading Account
 - (4) Format of Cash Flow
8. Which one of the following statements is **not** true ?
- (1) When there is one liquidation and one formation it is known as external construction
 - (2) Goodwill or Capital reserve arises only when the amalgamation is in the nature of merger.
 - (3) Under the pooling of interest method, the transferee company incorporates the assets and liabilities of the transferor company at book value.
 - (4) The vendor company transfers preliminary expenses (at the time of absorption) to equity shareholder's account.
9. **Statement-I** : The least-cost or optimal input combinations of labour and capital requires that the marginal revenue productivity ratio of the two inputs should be equal to their price ratio.
Statement-II : In a hypothetical production function of the following form.
- $$Q = -L^3 + 15L^2 + 10L$$
- Where, Q = Quantity of the product and L = No. of variable input (Labour), the marginal physical productivity of labour is $-L^2 + 15L + 10$.
- Codes :**
- (1) Both statements are true.
 - (2) Both statements are false.
 - (3) Statement-I is true while statement-II is false.
 - (4) Statement-I is false while statement-II is true.

10. Match the items of **List-I** with items of **List-II** and indicate the code of correct matching.

List-I		List-II	
(a)	Technological advantages	(i)	Managerial economies
(b)	Large scale purchase of material inputs	(ii)	Economies in transport and storage
(c)	Specialized departments under Specialized personnel	(iii)	Economies in marketing
(d)	Oil companies having their own fleet of tankers	(iv)	Economies in production

	(a)	(b)	(c)	(d)
(1)	(iv)	(iii)	(i)	(ii)
(2)	(iii)	(iv)	(ii)	(i)
(3)	(iii)	(i)	(ii)	(iv)
(4)	(iv)	(ii)	(iii)	(i)

11. Manufacturing of T.V. sets and refrigerators and their pricing in India belong to which one of the following market structures ?

- | | |
|------------------------------|-------------------------|
| (1) Monopolistic competition | (2) Perfect competition |
| (3) Monopoly | (4) Oligopoly |

12. **Statement-I** : Pricing at par with the market price of the existing brands is considered to be the most reasonable pricing strategy for a product which is being sold in a strongly competitive market.

Statement-II : Pricing below the market price has been found to be more successful when a seller intends to achieve a prestigious position among the sellers in the locality for selling prestigious goods of much superior quality.

Codes :

- (1) Both the statements are correct
- (2) Both the statements are incorrect
- (3) Statement -I is correct while Statement-II is incorrect
- (4) Statement -I is incorrect while Statement-II is correct

13. Which of the following statements are true ? Select the correct code.

- (a) The coefficient of rank correlation has the same limits as the Karl Pearson's coefficient of correlation.
- (b) The coefficient of correlation is independent of the change of origin but not of scale.
- (c) The covariance between X and Y is defined as $\frac{\sum xy}{n}$ where $x = (X - \bar{X})$, $y = (Y - \bar{Y})$ and n = no. of paired observations.
- (d) b_{xy} is called regression coefficient of X variable on Y variable.
- (e) If b_{xy} is 0.4 and b_{yx} is 1.6, coefficient of determination would be 0.8.

Codes :

- | | |
|----------------------|----------------------|
| (1) (a), (b) and (c) | (2) (a), (c) and (d) |
| (3) (c), (d) and (e) | (4) (b), (c) and (e) |

14. The application of χ^2 -test as parametric test will be in which one of the following situations ?
- (1) Test of independence of attributes
 - (2) Test of goodness of fit of a specific of distribution
 - (3) Test for population variance on the basis of small sized sample variance
 - (4) Test of homogeneity of several populations with respect to some characteristic of interest
15. In which one of the following situations is the application of t-test is most appropriate ?
- (1) Testing the significance of coefficient of correlation between paired observations of small sized sample.
 - (2) Testing the significance of coefficient of correlation between paired observations of large sized sample.
 - (3) Comparing variances of two small sized samples
 - (4) Testing the significance of the difference among mean values of more than two samples group
16. Which of the following is not a logical data structure ?
- (1) Chain
 - (2) Stack
 - (3) List
 - (4) Tree
17. Match the items of **List-I** with those of **List-II**; and choose the correct code of combination
- | List-I | List-II |
|--|----------------------|
| (a) A committee consist of a group of people specifically designated to perform some administrative work | (i) C.I. Bernanrd |
| (b) Staff service in organisation means the service or advice or council, as distinguished from the function of authority or command | (ii) W.H. Newman |
| (c) Organisation is informal when the aggregate interpersonal relationships are without conscious joint purpose | (iii) Mc Faraland |
| (d) An identifiable group of people contributing their efforts towards the attainment of goals is called organisation | (iv) James D. Mooney |

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(iv)	(i)	(iii)
(2)	(iv)	(ii)	(iii)	(i)
(3)	(iv)	(iii)	(i)	(ii)
(4)	(i)	(ii)	(iv)	(iii)

18. Which among the following is **not** a physical barrier of communication ?

- | | |
|---------------------|--------------------------|
| (1) Poor vocabulary | (2) Noise |
| (3) Improper time | (4) Overload information |

19. **Statement-I** : Management control seeks to compel events to conform to plans.

Statement-II : Controlling is determining what's motivational to the employee of the organization.

Codes :

- (1) Statement-I is correct but II is incorrect
- (2) Statement-II is correct but I is incorrect
- (3) Both the statements I and II are correct
- (4) Both the statements I and II are incorrect

20. **Assertion (A)** : Sound planning is one of the essential elements for the success of corporate entities.

Reasoning (R) : Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives.

Codes :

- (1) Both (A) and (R) are correct and (R) is the right explanation of (A).
- (2) Both (A) and (R) are correct but (R) is not the right explanation of (A).
- (3) Both the statements (A) and (R) are incorrect.
- (4) (A) is correct but (R) is incorrect.

21. Match the items of **List-I** with **List-II** and denote the code of correct matching :

- | List-I | List-II |
|-------------------|---|
| (a) Acceptability | (i) Convenience Aspect |
| (b) Affordability | (ii) Functional and Psychological Aspects |
| (c) Accessibility | (iii) Information and knowledge Aspects |
| (d) Awareness | (iv) Economic and Psychological Aspects |

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|------------|------------|------------|------------|
| (1) | (i) | (iii) | (ii) | (iv) |
| (2) | (iii) | (ii) | (i) | (iv) |
| (3) | (ii) | (iv) | (i) | (iii) |
| (4) | (iv) | (ii) | (i) | (iii) |

22. Match the items of **List-I** with the items of **List-II** which are related to dimensions of brand personality. Denote the code of correct matching.

- | List-I | List-II |
|--------------------|--|
| (a) Sincerity | (i) Upper class, Charming |
| (b) Excitement | (ii) Reliable, Intelligent, Successful |
| (c) Competence | (iii) Down to earth, Cheerful, Wholesome |
| (d) Sophistication | (iv) Outdoors, Tough |
| (e) Ruggedness | (v) Spirited, Imaginative, Up-to-date |

Codes :

	(a)	(b)	(c)	(d)	(e)
(1)	(v)	(ii)	(i)	(iii)	(iv)
(2)	(i)	(iv)	(iii)	(ii)	(v)
(3)	(iii)	(v)	(ii)	(i)	(iv)
(4)	(ii)	(i)	(iii)	(v)	(iv)

23. One of the techniques of stimulating creativity for developing new product where you start with an idea than thinking of the next idea and link, then think of the next association and do this with all association that come up with each new idea, is known as :

- | | |
|-----------------------|-------------------------|
| (1) Attribute Listing | (2) Forced Relationship |
| (3) New Contexts | (4) Mind Mapping |

24. **Statement-I** : We are motivated to re-evaluate our beliefs, attitudes, opinions or values occurred at two different time.

Statement-II : The difference due to some intervention occurred at either point of time motivates us to search a newer option and thus satisfies our mind/anxiety.

Codes :

- (1) Statement-I is correct, Statement-II is not correct.
- (2) Statement-II is correct, Statement-I is not correct.
- (3) Both statements are correct.
- (4) Both statements are incorrect.

25. Operating Leverage and Financial Leverage of a firm are 3 and 2, respectively. If sales increase by 6%, then earnings before tax will rise by :

- | | |
|---------|---------|
| (1) 18% | (2) 12% |
| (3) 36% | (4) 30% |

26. Match the items of **List-I** with those of **List-II** and indicate the correct code :

List-I	List-II
(a) Net Income Approach	(i) Working Capital Management
(b) Profitability Index	(ii) Over-capitalisation
(c) Concentration Banking	(iii) Capital structure Planning
(d) Lower Rate of Return	(iv) Capital Budgeting Decision

Codes :

	(a)	(b)	(c)	(d)
(1)	(iii)	(iv)	(i)	(ii)
(2)	(iii)	(iv)	(ii)	(i)
(3)	(iv)	(ii)	(iii)	(i)
(4)	(ii)	(iii)	(i)	(iv)

27. **Statement-I** : In payback period method, the risk of the project is adjusted by lessening the target payback period.

Statement-II : Sensitivity Analysis helps in calculation of net present value of the proposal.

Codes :

- (1) Statement-I is correct, but Statement-II is wrong
- (2) Statement-I is wrong, but Statement-II is correct
- (3) Statement-I and Statement-II both are correct
- (4) Statement-I and Statement-II, both are wrong

28. Dividend irrelevance argument of MM Model is based on :

- (1) Hedging
- (2) Issue of Debentures
- (3) Liquidity
- (4) Arbitrage

29. Match the items of **List-I** with **List-II** and indicate the correct code of their matching relating to human resource management philosophy :

List-I

- (a) Rational System Approach
- (b) The Ahmedabad experiments to improve productivity
- (c) Social System Approach
- (d) Functional Organisation Concept

List-II

- (i) F.W. Taylor
- (ii) Max Weber's theory of bureaucracy
- (iii) A.K. Rice
- (iv) Hawthorne studies

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|------|
| (1) | (ii) | (iv) | (iii) | (i) |
| (2) | (iii) | (ii) | (iv) | (i) |
| (3) | (iv) | (iii) | (i) | (ii) |
| (4) | (iii) | (i) | (ii) | (iv) |

30. Which one of the following is **not** a method of deciding acceptable level of reliability or consistency of measurement in selection methods ?

- (1) Regiocentric approach
- (2) Split half method
- (3) Test related method
- (4) Expectancy diagram

31. Put the following steps of discrete selection process on correct sequence and select the correct code :

- | | |
|-------------------------------|-------------------------------------|
| (a) Preliminary interview | (b) Completion of application blank |
| (c) Background investigation | (d) Physical examination |
| (e) Employment tests | (f) Comprehensive interview |
| (g) Final employment decision | |

Codes :

- (1) (b), (a), (c), (d), (e), (f), (g)
- (2) (b), (a), (e), (f), (c), (d), (g)
- (3) (a), (b), (e), (f), (c), (d), (g)
- (4) (a), (b), (d), (c), (e), (f), (g)

32. Match **List-I** with **List-II** relating to wage theories and its propounders and indicate the code representing **correct** matching :

List-I : (Theory)

- (a) Subsistence Theory
(b) Surplus Value Theory
(c) Wage Fund Theory
(d) Residual Claimant Theory

List-II : (Propounder)

- (i) Karl Marx
(ii) Francis Walker
(iii) David Richardo
(iv) Adam Smith

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|------|-------|-------|
| (1) | (ii) | (iv) | (i) | (iii) |
| (2) | (iv) | (i) | (ii) | (iii) |
| (3) | (iii) | (i) | (iv) | (ii) |
| (4) | (iv) | (ii) | (iii) | (i) |

33. When was paper currency first started in India ?

- | | |
|----------|----------|
| (1) 1542 | (2) 1611 |
| (3) 1705 | (4) 1801 |

34. 'RWA' with regard to capital adequacy stands for which one of the following ?

- | | |
|---------------------------------|----------------------------------|
| (1) Risk Withdrawal Adjustments | (2) Risk Withdrawal Arrangements |
| (3) Risk Weighted Assets | (D) Risk-free Weighted Assets |

35. Match the items of **List-I** with **List-II** and denote the code of correct matching :

List-I

- (a) Future

(b) Swap

(c) Hedging

(d) Forward

List-II

- (i) Consists of purchase or sale of commodities in two different markets with the expectations that a future change in price in one market will be off set by an opposite change in the other market

(ii) A contract in which a seller agrees to deliver an assets to a buyer at a predetermined price at some future date as a privately negotiated

(iii) A contractual agreement for exchanging a steam of payments with opposite and matching needs, to reap the benefit arising due to market discrepancies

(iv) A contract covering the purchase and sale of physical commodities or financial instruments for future delivery on a future exchange floor

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|------|-------|-------|------|
| (1) | (iv) | (iii) | (ii) | (i) |
| (2) | (i) | (ii) | (iii) | (iv) |
| (3) | (ii) | (i) | (iii) | (iv) |
| (4) | (iv) | (iii) | (i) | (ii) |

36. Which of the following are the forms of e-banking ? Select the **correct** code.

- (a) Internet Banking
- (b) Telephone Banking
- (c) Electronic Cheque Conversion
- (d) Electronic Bill Payment
- (e) Direct Fund Transfer Through RTGS

Codes :

- | | |
|----------------------|--------------------------------|
| (1) (a), (c) and (d) | (2) (a), (b), (c) and (d) |
| (3) (b), (c) and (d) | (4) (a), (b), (c), (d) and (e) |

37. Which one among the following has the largest share of exports from India ?

- | | |
|--------------------------------------|------------------------|
| (1) Agriculture and Allied Commodity | (2) Gems and Jewellery |
| (3) Handicrafts | (4) Electronic Goods |

38. Which one among the following is **not** a part of TRIPS agreement ?

- (1) Industrial Design
- (2) Geographical Indications
- (3) Interior Design
- (4) Layout Designs of Integrated Circuits

39. Which one among the following is not correct ?

- (1) IMF's headquarters is in Washington, D.C.
- (2) IMF has 198 countries as its members.
- (3) IMF is an outcome of the Bretton Woods Conference.
- (4) IMF was found on July 7, 1944.

40. **Statement-I** : Served From India Scheme (SFIS) has been replaced with service Exports from India Scheme (SEIS).

Statement-II : The rate of reward under SEIS would be based on net foreign exchange earned.

Codes :

- (1) Statement-I is correct but Statement-II is incorrect.
- (2) Statement-II is correct but Statement-I is incorrect.
- (3) Both the statements-I and II are incorrect.
- (4) Both the statements-I and II are correct.

41. Match the items of **List-I** with those of **List-II** and indicated the correct code :

List-I : (Accounting Standard)

List-II : (Relationship)

- | | |
|-------------|--|
| (a) AS - 6 | (i) Accounting for Consolidated Financial Statements |
| (b) AS - 3 | (ii) Accounting For Fixed Assets |
| (c) AS - 10 | (iii) Depreciation Accounting |
| (d) AS - 21 | (iv) Accounting For Cash Flow Statement |

Codes :

	(a)	(b)	(c)	(d)
(1)	(ii)	(iv)	(iii)	(i)
(2)	(iii)	(iv)	(ii)	(i)
(3)	(iv)	(iii)	(i)	(ii)
(4)	(i)	(ii)	(iii)	(iv)

42. Which of the following statements are false ? Indicate the correct code.

- (a) RBI has prescribed guidelines for the operations of credit rating agencies in India.
- (b) All venture capital funds in India have been promoted by Government.
- (c) A mutual fund can operate as venture capital fund.
- (d) Credit rating is an authoritative guarantee regarding the credit position of a person.

Codes :

- | | |
|---------------------------|----------------------|
| (1) (a), (b), (c) and (d) | (2) (a), (b) and (d) |
| (3) (a), (b) and (c) | (4) (a) and (c) |

43. Which of the following are the examples of systematic risk ? Indicate the **correct** code.

- (a) Elimination of Government Subsidy
- (b) Increase in Bank Rate
- (c) Labour Problem
- (d) High Levered Fund

Codes :

- | | |
|----------------------|----------------------|
| (1) (a), (b) and (c) | (2) (a), (b) and (d) |
| (3) (a) and (b) | (4) (a) and (d) |

44. Which of the following are the benefits of responsibility accounting ?

- (a) It facilitates the centralization of decision taking.
- (b) It provides a system of closer control.
- (c) It measures the performance of individuals in an objectives manner.
- (d) It develops a sense of cost consciousness among managers and their subordinates.

Codes :

- | | |
|----------------------|----------------------|
| (1) (a), (b) and (c) | (2) (b), (c) and (d) |
| (3) (a), (b) and (c) | (4) (a), (c) and (d) |

45. Which of the following statement are True ? Indicate the **correct** code.

- (a) Tax-shield on depreciation and interest is an important variable both for lessor and lessee.
- (b) A lessee may evaluate the lease options as against the buying option.
- (c) Sale and Lease-back, and leveraged lease are types of financial lease.
- (d) Lease financing is a type of capital budgeting decision from the point of view of the lessee.

Codes :

- | | |
|----------------------|----------------------|
| (1) (a), (b) and (c) | (2) (b), (c) and (d) |
| (3) (a), (c) and (d) | (4) (a), (b) and (c) |

46. Which one of the following methods of inflation Accounting has been proposed by Sandilands Committee of U.K. ?
- (1) General Price Level Method
 - (2) Specific Price Level Method
 - (3) Current Cost Accounting Method
 - (4) Generally Accepted Accounting Principles

47. Which of the following are the motives of mergers ? Indicate the **correct** code.
- (a) To gain the economies of scale
 - (b) To utilise under - utilised resources
 - (c) To break the monopoly
 - (d) To reduce the tax liability

Codes :

- | | |
|----------------------|----------------------|
| (1) (a), (c) and (d) | (2) (a), (b) and (d) |
| (3) (b), (c) and (d) | (4) (a), (b) and (c) |

48. A research technique used particularly in retailing (online and offline), in which consumers are recruited by researchers to act as anonymous buyers in order to evaluate customer satisfaction, service quality and customer's own evaluation of their experiences, is known as :

- | | |
|----------------------|--------------------------|
| (1) Consumer Jury | (2) Projective technique |
| (3) Mystery Shopping | (4) Semeiotic Research |

49. Match the items of **List-I** with items of **List-II** and select the correct code of matching :

List-I

- (a) Market Leader
- (b) Market Challenger
- (c) Market Follower
- (d) Market Nicher

List-II

- (i) Avoid hostile attacks on rivals
- (ii) Attack the market leader
- (iii) Provide high level of specialisation
- (iv) Attack the market

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|-------|-------|
| (1) | (iv) | (ii) | (i) | (iii) |
| (2) | (ii) | (iv) | (iii) | (i) |
| (3) | (iii) | (i) | (iv) | (ii) |
| (4) | (i) | (iii) | (iv) | (ii) |

50. Which of the statements are correct ? Select **correct** code.

Statement (I) : Opinions can be described as the slow responses we might give to opinion poll questions about any issue.

Statement (II) : Attitudes are held with a greater degree of conviction, over longer duration and more likely to influence behaviour.

Statement (III) : Values are held more strongly than attitudes and underpin our attitudinal behaviour.

Codes :

- | | |
|-------------------|-------------------------|
| (1) (I) and (II) | (2) (II) and (III) |
| (3) (I) and (III) | (4) (I), (II) and (III) |

51. Which of the following is **not** a major aspect of digital marketing ?

- | | |
|------------------|-------------------|
| (1) Jurisdiction | (2) Ownership |
| (3) Security | (4) Entertainment |

52. Which of the following statements are correct ? Select the **correct** code.

Statement (I) : Horizontal conflict between channel members is caused due to channel members impinge on the market territory of other intermediates at different level.

Statement (II) : Vertical conflict is caused due to intense price competition, disagreement about promotional activities, attempts to bypass intermediary and distribute direct, differing expectations as to channel or intermediary performance.

Statement (III) : Hybrid channel conflict arises due to grey marketing.

Codes :

- | | |
|--------------------|-------------------------|
| (1) (I) and (III) | (2) (I) and (II) |
| (3) (II) and (III) | (4) (I), (II) and (III) |

53. Which of the following statement are incorrect ? Indicate the correct code.

Statement (I) : As consumer's income increases, the percentage of income spent for food items decreases, for rent, fuel and light remains the same, for clothing remains the same and for sundries increases.

Statement (II) : Societal marketing period was from 1960 onwards.

Statement (III) : Our debt to social anthropology decreases more and more as we use qualitative market research approaches.

Statement (IV) : The economic concepts of perfect competition and matching of supply and demand underline the marketing concept, particularly in relation to the concepts of the price at which goods are sold and sold and quantity distributed.

Codes :

- | | |
|-------------------|--------------------|
| (1) (I) and (II) | (2) (II) and (III) |
| (3) (II) and (IV) | (4) (I) and (IV) |

54. Which of the following statements are correct ? Indicate the correct code.

Statement (I) : Virtue ethics is a form of ethical approach associated with Aristotle which stresses the importance of developing virtuous principles, 'right' character and the pursuit of a virtuous life.

Statement (II) : Utilitarianism is an ethical approach where an action is right if, and only if, it conforms to the principle of utility, whereby utility is minimised and pain and unhappiness minimised more than any alternative.

Statement (III) : 'Deontological Ethics' is an ethical approach where rightness or wrongness of an action or decision is not judged to be based exclusively on the consequences of that action or decision.

Codes :

- | | |
|-------------------------|--------------------|
| (1) (I), (II) and (III) | (2) (I) and (II) |
| (3) (I) and (III) | (4) (II) and (III) |

55. **Assertion (A)** : The matter of succession planning is often deferred.

Reasoning (R) : The succession charts need utmost confidentiality.

Codes :

- (1) (A) is correct and (R) is right reasoning of it.
- (2) (A) is correct but (R) is not the correct reasoning of it.
- (3) (A) is correct but (R) is not correct statement.
- (4) (A) is not correct while (R) is a correct statement.

56. Bethel Maine of USA was the pioneer of which one of the following Laboratory training methods of employee training ?

- | | |
|---------------------------------|--------------------|
| (1) Transactional Analysis | (2) Business Games |
| (3) Critical Incident Technique | (4) T-group |

57. Which of the following statements relating to appraisal methods are **not** correct ? Indicate the correct code :

Statement (I) : The MBO program is built on the assumption that individuals always need not be responsible and self-directed and thus need to be motivated to work towards objectives.

Statement (II) : Forced distribution method was developed by Karl Marx.

Statement (III) : Peer evaluation and self-appraisal need to be done on well-defined parameters in check-list method.

Statement (IV) : Forced choice method consists of seven main factors on three point rating scale.

Codes :

- | | |
|-----------------------------------|---|
| (1) Statement (I) and (II) | (2) Statement (III) and (IV) |
| (3) Statement (I), (II) and (III) | (4) Statement (I), (II), (III) and (IV) |

58. Match the main concerns of HRD sub-systems given in **List-I** with **List-II** and choose the correct code of matching :

List-I : (HRD Sub-Systems)

List-II : (Main concerns)

- | | |
|-----------------------------------|----------------------------------|
| (a) Individual's career | (i) Competence |
| (b) Development of teams | (ii) Power |
| (c) Socialisation of organisation | (iii) Commitment and integration |
| (d) Management of organisation | (iv) Values |

Codes :

- | | | | | |
|-----|------------|------------|------------|------------|
| | (a) | (b) | (c) | (d) |
| (1) | (ii) | (iv) | (i) | (iii) |
| (2) | (iv) | (ii) | (iii) | (i) |
| (3) | (iii) | (i) | (iv) | (ii) |
| (4) | (ii) | (iii) | (i) | (iv) |

59. Match the items of **List-I** with **List-II** and indicate the correct code of matching :

List-I : (Wage Theory)

- (a) Subsistence theory
- (b) Surplus value theory of wages
- (c) Wage Fund theory
- (d) Residual Claimant theory

List-II : (Basis of Determining Wage)

- (i) Capitalists first set aside predetermined surplus income and then decide the wages
- (ii) Growth of the population brings down to level of subsistence
- (iii) Balance claimed upon the output of industry
- (iv) Natural price for labour

Codes :

- | | (a) | (b) | (c) | (d) |
|-----|-------|-------|------|-------|
| (1) | (iv) | (ii) | (i) | (iii) |
| (2) | (ii) | (iv) | (i) | (iii) |
| (3) | (iii) | (i) | (ii) | (iv) |
| (4) | (i) | (iii) | (iv) | (ii) |

60. **Statement (I)** : Selection of wrong criteria during performance appraisal can result in serious dysfunctional consequences.

Statement (II) : Generally the evaluator becomes more critical about performance evaluation technique rather than which criteria need to be evaluated.

Codes :

- (1) Both the statements are correct.
- (2) Both the statements are incorrect.
- (3) Statement-I is correct while statement-II is incorrect.
- (4) Statement-I is incorrect while statement-II is correct.

61. Which of the following statements are not correct ? Indicate the correct code.

Statement (I) : Social assistance is financed by tripartite or bipartite contributions.

Statement (II) : Social insurance ignores the income and means of liable relation.

Statement (III) : Social assistance makes the beneficiary a first charge on the liable relations.

Statement (IV) : Social assistance aims at to provide maximum subsistence to those who can not make it on their own.

Codes :

- | | | | |
|-----|--------------|-----|----------------|
| (1) | (I) and (II) | (2) | (II) and (III) |
| (3) | (I) and (IV) | (4) | (III) and (IV) |

62. According to which one of the following theories, differences in nominal interest rates will be eliminated in the exchange rate ?

- | | |
|------------------------------------|-----------------------------------|
| (1) Leontief Paradox Trade Theory | (2) Fisher effect economic theory |
| (3) Purchasing Power Parity Theory | (4) Combined equilibrium theory |

63. According to the Purchasing Power Parity Theory, the level of foreign exchange rate is determined by which of the following ?

- (1) Domestic Price level (P) divided by foreign price level (P*)
- (2) $P^* - P$
- (3) $P - P^*$
- (4) P^*/P

64. Match the items of **List-I** with **List-II** and choose the correct code of combination :

List-I	List-II
(a) It abolishes all restrictions on trade among the members	(i) Common Market
(b) It not Only eliminates all restrictions on trade among members but also adopts a uniform commercial policy against the non-members	(ii) Economic Union
(c) It allows free movement of labour and capital within the common market	(iii) Free Trade Area
(d) It achieves some degree of harmonization of national economic policies, through a common central bank, unified monetary and fiscal policy etc.	(iv) Customs Union

Codes :

	(a)	(b)	(c)	(d)
(1)	(iv)	(ii)	(i)	(iii)
(2)	(iv)	(iii)	(i)	(ii)
(3)	(iii)	(iv)	(i)	(ii)
(4)	(ii)	(i)	(iv)	(iii)

65. **Assertion (A)** : Indian companies have established subsidiaries and joint ventures in a number of countries in different manufacturing industries and service sectors.

Reasoning (R) : By restricting the areas of operations and growth, the government policy seriously constrained the potential of Indian companies to make a foray into the foreign countries.

Codes :

- (1) Both (A) and (R) are correct and (R) is the right explanation of (A).
- (2) Both (A) and (R) are correct and (R) is not the right explanation of (A).
- (3) Both (A) and (R) are incorrect.
- (4) (A) is correct but (R) is incorrect.

66. **Statement (I)** : Automatic variations in the exchange rates, in accordance with the variation in the balance of payments position, tend to automatically restore the balance of payments equilibrium.

Statement (II) : A deficiency in the balance of payments increases the exchange rate :

Codes :

- (1) Statement (I) is correct but (II) is incorrect
- (2) Statement (II) is correct but (I) is incorrect
- (3) Both the statements (I) and (II) are incorrect
- (4) Both the statements (I) and (II) are correct.

67. Which among the following is not a correct statement ?
- (1) Designated bank refers to any bank in India, which has been authorised by the RBI to act as banker to FII.
 - (2) Domestic custodian includes any person carrying on the activities of providing custodial services in respect of securities.
 - (3) Sub-account includes those institutions, established or incorporated in India, whether incorporated or not, on whose behalf investments are proposed to be made in India by FIIs.
 - (4) A domestic portfolio manager or domestic asset management company shall also be eligible to be registered as FII to manage the funds of sub-accounts.
68. Identify the incorrect statement from the following :
- (1) Broken-date contract is a full-month forward contract.
 - (2) Currency arbitrage refers to making profit by buying a currency cheap in one market and selling it dear in the other market at a particular point of time.
 - (3) Currency Futures Markets refers to organised foreign exchange market where a fixed amount of a currency is exchanged on a fixed maturity date in the pit.
 - (4) Currency Options Market refers to market for the exchange of currency where the option buyer enjoys the privilege of not exercising the option if the rate is not favourable.
69. Dividends declared by Unit Trust of India or by mutual fund is :
- (1) Fully exempt in the hands of unit holders
 - (2) Fully taxable in the hands of unit holders
 - (3) Fully exempt in the hands of individual unit holders and Fully taxable in the hands of institutional unit holders
 - (4) Included in the gross total income but a deduction is allowed under section 80 L
70. Match the items of **List-I** with the items of **List-II** and choose the correct answer from the code given below :

List-I		List II	
(Types of Income)		(Head of Income)	
(a)	Salary, bonus, commission, etc. received by a working partner from the firm	(i)	Income from other source
(b)	Pension received by the widow of a government employee	(ii)	Income from (short term) Capital Gains
(c)	profits on the sale of machinery used in business	(iii)	Income from Capital Gains
(d)	Compensation received from the government on compulsory acquisition of land and profit earned	(iv)	Income from Business and Profession
		(v)	Income from salaries

Codes :

	(a)	(b)	(c)	(d)
(1)	(v)	(ii)	(i)	(iii)
(2)	(iv)	(ii)	(iii)	(v)
(3)	(v)	(iv)	(iii)	(ii)
(4)	(iv)	(i)	(ii)	(iii)

71. Which of the following will be considered as tax planning effort ?

- (a) Mr. A purchased a house for self residence of ₹80 lacs by taking a loan of ₹ 60 lacs from SBI at 10% interest, instead of using his own funds.
- (b) Mr. A made investment in purchasing 12% redeemable debentures of TISCO worth ₹ 1.50 lac
- (c) Mr. A purchased 100 gram gold biscuits of ₹ 2.5 lac from SBI on the occasion of Diwali.
- (d) Mr. A invested ₹ 1 crore in purchasing 5 acres of agricultural land in his native village in Gaya.

Codes :

- | | | | |
|-----|-------------|-----|-------------|
| (1) | (a) and (b) | (2) | (b) and (c) |
| (3) | (a) and (d) | (4) | (c) and (d) |

72. Assertion (A) : If the interest is payable outside India, tax must be deducted at source.

Reason (R) : If tax has not been deducted at source, the amount paid as interest will not be allowed as a deduction in computing business income.

Select the correct answer from the code given below :

- (1) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (2) (A) and (R) both are correct but (R) is not the correct explanation of (A).
- (3) (A) is correct but (R) is wrong.
- (4) (A) is wrong but (R) is correct.

73. Under the income tax Act, 1961 the education cess of (2% + 1%) is calculated in the amount of :

- | | |
|------------------------|--|
| (1) Income Tax | (2) Income Tax Plus surcharge (if any) |
| (3) Gross total Income | (4) Taxable Income |

74. Exemption, under Sec.54 F of the Income Tax Act, 1961, shall not be allowed if the assessee, on the date of transfer owns :

- | | |
|------------------------------------|--|
| (1) Any residential house | (2) A residential house which is let out |
| (3) A house which is self occupied | (4) More than one residential house |

75. The Income from the sale of a machinery used in business is treated as :

- (1) Income from business and profession
- (2) Short-term capital gain
- (3) Long-term capital gain
- (4) Income from other sources

ANSWER KEY

1	2	3	4	5	6	7	8	9	10
1	4	3	3	3	4	2	2	3	1
11	12	13	14	15	16	17	18	19	20
1	3	2	3	1	1	1	1	1	1
21	22	23	24	25	26	27	28	29	30
3	3	4	1	3	1	1	4	1	1
31	32	33	34	35	36	37	38	39	40
3	3	9	3	4	4	2	3	2	4
41	42	43	44	45	46	47	48	49	50
2	2	3	2	4	3	2	3	1	2
51	52	53	54	55	56	57	58	59	60
4	3	2	3	2	4	4	3	1	1
61	62	63	64	65	66	67	68	69	70
3	2	1	3	2	1	3	1	1	4
71	72	73	74	75					
3	1	2	4	2					

9 = ALL, A = 12, B = 13, C = 14, D = 123, E = 124, F = 134, G = 1234, H = 23, I = 24, J = 234, K = 34

SOLUTION

1. (1) (A) and (R) are correct and (R) is the correct reasoning of (A).
2. (4) The value of goods and services sold is the governing factor in deciding the type of redressal agency which will deal with the dispute of a consumer. The Consumer Protection Act, 1986 was enacted to provide a simpler and quicker access to redressal of consumer grievances. The Act for the first time introduced the concept of 'consumer' and conferred express additional rights on him. It is interesting to note that the Act doesn't seek to protect every consumer within the literal meaning of the term. The protection is meant for the person who fits in the definition of 'consumer' given by the Act.
3. (3)

List-I	List-II
(a) Regulatory role	(i) Imposing of high import duty
(b) Promotional role	(ii) Measure to control and cover risk in priority Sectors
(c) Entrepreneurial role	(iii) Capital intensive projects of public sectors
(d) Planning role	(iv) Deciding timing and usages of resources
4. (3) State monopolies, government's business policies and functioning of Regulatory Authorities cannot be scrutinized under this law.
5. (3) Standard costing is a system of accounting where predetermined costs are used for analysis of variances and control of the entire organization. Standard may be expressed both in quantitative and monetary measures. Standard costing is determined for each element of cost.
6. (4)
$$\text{Margin of Safety} = \frac{\text{Profit}}{\text{P / V ratio}}$$

$$\text{P/V Ratio} = \frac{\text{Change in Contribution}}{\text{Change in sales}} \times 100$$

BEP refers to that volume of sales where the profit or loss is zero or the total sales is equal to total costs (fixed as well as marginal costs), or total contribution is equal to total fixed costs.

It is calculated as follows :

$$\text{Break – Even Point} = \frac{\text{Fixed Costs}}{\text{P/V Ratio}} \text{ or } \frac{\text{Fixed Costs}}{1 - \frac{\text{Marginal Cost Per Unit}}{\text{Selling Price Per Unit}}}$$

$$\text{BEP (in Units)} = \frac{\text{Fixed Costs}}{\text{Contribution Per Unit}}$$
7. (2) The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 2013. Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.

8. (2) Goodwill or Capital reserve arises only when the amalgamation is in the nature of merger.
9. (3) Statement-I is true while statement-II is false.
10. (1)

List-I	List-II
(a) Technological advantages	(i) Economics in Production
(b) Large scale purchase of material inputs	(ii) Economies in Marketing
(c) Specialized departments under Specialized personnel	(iii) Managerial economics
(d) Oil companies having their own fleet of tankers	(iv) Economies in transport and storages
11. (1) By definition, monopolistic competition refers to a market structure in which a large number of sellers sell differentiated products, which are close substitutes for one another. Incidentally, a close substitute is one whose cross-elasticity is close to unity or greater. Monopolistic competition combines the basis elements of both perfect competition and monopoly.

The element of competition arises from the fact that each generic branded product has several close substitutes and firms selling branded product of the same generic category have to compete for the market share. Considering again our example of toilet soaps, all the companies producing and selling branded toiled soaps are in intensive competition for capturing the largest possible market share. One index of the competition between them is the amount that they spend advertising their product. These features of the toilet soap industry makes it monopolistically competitive. Toothpaste industry with a number of branded product names (e.g., Binaca, Colgate, Close-up, Pepsodent, Forhans, Cibaca, Neem, Meswak, Signal, Promise, Prestige and so on) is another example of monopolistic competition. So is the case with major industrial products in India, e.g., electrical tubes and bulbs, TV set, refrigerators, air conditioners, personal computers, textile goods, tea, coffee, cigarettes, soft drinks, cold creams, sham-poops, detergents, shaving blades, shaving cream, hair oils, hair dyes, shoes, wrist watches, steel, cement, mobile phones and so on.
12. (3) Statement -I is correct while Statement-II is incorrect
13. (2) (a), (c) and (d)
14. (3) The application of χ^2 - test as parametric test will be in situation of Test for population variance on the basis of small sized sample variance.
15. (1) The most appropriate situation of the application of t-test is Testing the significance of coefficient of correlation between paired observations of small sized sample. The most commonly used techniques for investigating the relationship between two quantitative variables are correlation and linear regression. Correlation quantifies the strength of the linear relationship between a pair of variables, whereas regression expresses the relationship in the form of an equation.
16. (1) In linear data structure data elements stored in sequential manner. Stack, Queue and Linked List are the types of linear data structure. In Non-Linear data structure data elements are not stored in the sequence manner. Tree and Graph are the type of non-linear data structure.

17. (1) "A committee consists of a group of people specifically designated to perform some administrative work" - W.H. Newman
- According to James D Mooney, 'Staff service in organization means the service of advice or council, as distinguished from the function of authority or command.' According to him, this service has two phases; namely, the advisory and the supervisory.
- Bernard regarded informal organization as joint individual activity without conscious joint purpose, even though contributing to joint results. All types of groups, namely, a bus load of passengers, people watching a cricket match, people walking do the street etc, fall within the compass of informal organization.
- According to McFarland, "Organisation is an identifiable group of people contributing their efforts towards the attainment of goals".
18. (1) Noise is a physical distraction simply because it is hard to concentrate on a conversation if hearing is difficult.
- Improper timing of communication also hinders the process of communication, e.g., an order at closing hour to execute an urgent work, may cause resentment in the employee who has to catch train for going back to his house.
- Inadequate information falls short to convey the message and overloaded information distract the reader's attention and dilutes the theme of message. It is imperative that information should be adequate, neither less then desired, nor more than warranted. If this is not so, it fails to serve the purpose of communication.
19. (1) Statement-I is correct but II is incorrect
20. (1) Both (A) and (R) are correct and (R) is the right explanation of (A).
21. (3) Acceptability has two dimensions – functional acceptability and psychological acceptability. Affordability is the extent to which customers in the target market are able and willing to pay the product's price, and it is characterized by two dimensions : economics affordability, or the ability to pay and psychological affordability or the willingness to pay. In most emerging markets even if consumers have the economics ability to pay, they may not be willing to do so due to psychological or other barriers.
- Financial aspects and accessibility and convenience are two very important contributors to patients' overall satisfaction levels.
- There are two aspects or two types of knowledge, understanding, awareness and knowing.
22. (3) The five core dimensions and their facets are :
- Sincerity (down-to-earth, honest, whole-some, cheerful).
 - Excitement (daring, spirited, imaginative, up-to-date).
 - Competence (reliable, intelligent, successful)
 - Sophistication (upper class, charming)
 - Ruggedness (outdoorsy, tough)
23. (4) One of the techniques of stimulating creativity for developing new product where you start with an idea than thinking of the next idea and link, then think of the next association and do this with all association that come up with each new idea, is known as Mind Mapping.
24. (1) Statement-I is correct, Statement-II is not correct.
25. (3) Combined Leverage = Operating leverage × Financial leverage
- $$3 \times 2 = 6$$
- If sales increase by 6 % then EBIT (Earning before Interest and tax) will be
- Degree of Combined leverage = $C/EBIT \times EBIT/EBT$
- Thus EBT = $6 \times 6 = 36\%$

- 26. (1)** Net Operating Income Approach to capital structure believes that the value of a firm is not affected by the change of debt component in the capital structure.
- The profitability index (PI) is one of the methods used in capital budgeting for project valuation.
- A decentralized collection procedure, called concentration banking, is a system of operating through a number of collection centers, instead of a single collection centre centralized at the firm's head office.
- Over-capitalisation signifies a situation when an enterprise possesses excess of assets in relation to its requirement. Such a situation has its bearing on earning capacity of the enterprise. In case of over-capitalisation, the actual earnings are lower than the expected ones. On account of lower rates of return, the enterprise becomes unable to pay its fixed obligations, i.e. interest and dividend, at prescribed rates. Thus, in case of over-capitalisation, the enterprise fails to pay a fair return on its capital investments.
- 27. (1)** Statement-I is correct, but Statement-II is wrong
- 28. (4)** By the argument of arbitrage, MM Model asserts the irrelevance of dividends. Arbitrage implies the distribution of earnings to shareholders and raising an equal amount externally. The effect of dividend payment would be offset by the effect of raising additional funds.
- 29. (1)** Bureaucratic management theory developed by Max Weber, contained two essential elements, including structuring an organization into a hierarchy and having clearly defined rules to help govern an organization and its members.
- The Hawthorne effect is named after a series of experiments that changed the way we think about work and productivity. While previous studies had already focused on individuals and how their performance could be improved, the Hawthorne experiments placed the individual in a social context for the first time.
- The ideas of the A. K. Rice Institute (AKRI) originated in 1965 when Margaret Rioch collaborated with the Institute's namesake, A. Kenneth Rice to organize the first Group Relations Conference held in North America. AKRI's original mission was to explore what events and processes produced non-rational behavior in social groups and relations.
- The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions.
- 30. (1)** The split halves test for internal consistency reliability is the easiest type, and involves dividing a test into two halves.
- The most obvious means for estimating the reliability of a test is through representing the identical test on a later occasion. The correlation coefficient for a test-retest procedure is termed the coefficient of stability, and the Pearson product moment formula can be used.
- 31. (3)** The selection process typically consists of eight steps. These are as follows :
1. Initial screening interview
 2. Completing the application form
 3. Employment tests
 4. Comprehensive interview.
 5. Background investigation.
 6. A condition ob offer.
 7. Medical or physical examination
 8. The permanent job offer.

32. (3) The subsistence theory of wages, advanced by David Ricardo and other classical economists, was based on the population theory of Thomas Malthus. It held that the market price of labour would always tend toward the minimum required for subsistence. Surplus value is a central concept in Karl Marx's critique of political economy. "Surplus value" is a translation of the German word "Mehrwert", which simply means value added (sales revenue less the cost of materials used up).
- According to Adam Smith, the demand for labour and rate of wages depend on the size of the wages fund. Accordingly, if the wages fund is large, wages would be high and vice versa.
- Residual Claimant theory was put-forth by the American economist Francis A. Walker. According to this theory, wages are the residue left over after the other factors of production have been paid their remuneration, whatever is left over after making payment to other factors constitutes wages. Thus, wages are equal to the total income minus rent, interest and profits.
33. (9) In 1861, paper currency first started in India.
- In 1861, the government of India introduced its first paper money: Rs.10 note in 1864, Rs.5 note in 1872, Rs.10,000 note in 1899, Rs.100 note in 1900, Rs.50 note in 1905, Rs.500 note in 1907 and Rs.1,000 note in 1909. In 1917, Rs.1 and Rs.2 1/2 notes were introduced. The Reserve Bank of India began banknote production in 1938, issuing Rs.2, Rs.5, Rs.10, Rs.50, Rs.100, Rs.1,000 and Rs.10,000 notes while the government continued issuing Rs.1 note but demonetized the Rs.500 and Rs.2 1/2 notes.
- After independence, new designs were introduced to replace the portrait of George VI. The government continued issuing the Rs.1 note, while the Reserve Bank issued other denominations (including the Rs. 5,000 and Rs.10,000 notes introduced in 1949). All pre-independence banknotes were officially demonetised with effect from 28 April 1957.
- During the 1970s, Rs.20 and Rs.50 notes were introduced; denominations higher than Rs.100 were demonetised in 1978. In 1987, the Rs. 500 note was introduced, followed by the Rs.1,000 note in 2000 while Rs.1 and Rs.2 notes were discontinued in 1995.
- The design of banknotes is approved by the central government, on the recommendation of the central board of the Reserve Bank of India. Currency notes are printed at the Currency Note Press in Nashik, the Bank Note Press in Dewas, the Bharatiya Reserve Bank Note Mudran (P) Ltd at Salboni and Mysore and at the Watermark Paper Manufacturing Mill in Hoshangabad. The Mahatma Gandhi Series of banknotes are issued by the Reserve Bank of India as legal tender. The series is so named because the obverse of each note features a portrait of Mahatma Gandhi. Since its introduction in 1996, this series has replaced all issued banknotes of the Lion capital series. The RBI introduced the series in 1996 with Rs.10 and Rs.500 banknotes. At present, the RBI issues banknotes in denominations from Rs.5 to Rs.2,000. The printing of Rs.5 notes (which had stopped earlier) resumed in 2009.
- As of January 2012, the new ₹ sign has been incorporated into banknotes of the Mahatma Gandhi Series in denominations of Rs. 10, Rs. 20, Rs. 50, Rs. 100, Rs. 500 and Rs. 1,000. In January 2014 RBI announced that it would be withdrawing from circulation all currency notes printed prior to 2005 by 31 March 2014. The deadline was later extended to 1 January 2015. The deadline was further extended to 30 June 2016.
- There had been discussions on the necessity to withdraw notes of higher denominations such as the Rs. 1000 and Rs. 500 banknotes, considering their role in perpetuating

unaccounted money. This move was taken to further curb the problem of fake currency circulation. While noting that the withdrawal of high denomination notes can lead to an increase in printing costs for RBI, there was an opinion that these costs should be weighed against the misuse of high-value notes. On 8 November 2016 Prime Minister Narendra Modi announced the demonetization of Rs. 500 and Rs. 1,000 banknotes of the Mahatma Gandhi Series, with a detailed step-down program. This program would stop all usage of Rs. 500 and Rs. 1,000 rupee notes by 11 November 2016. Citizens with valid identification will have until 30 December 2016 to exchange the notes for lower tender at any bank or post office, and until 31 March 2017 to exchange them at designated RBI offices by filling in a declaration form.

On 8 November 2016, the Reserve Bank of India (RBI) announced the issuance of new Rs. 500 and Rs. 2,000 banknotes in the Mahatma Gandhi New Series of banknotes. The new Rs. 2,000 banknote has a magenta base colour, with a portrait of Mahatma Gandhi as well as the Ashoka Pillar Emblem on the front. The denomination also has a motif of the Mars Orbiter Mission (MOM) on the back, depicting the country's first venture into interplanetary space. The new ₹ 500 banknote has a stone grey base colour with an image of the Red Fort along with the Indian flag printed on the back. Both the banknotes also have the Swachh Bharat Abhiyan logo printed on the back. The banknote denominations of Rs. 200, Rs.100 and Rs. 50 are also expected to be introduced in the new Mahatma Gandhi New Series, in the coming months, intended to replace all banknotes of the previous Mahatma Gandhi Series. On 13 June 2017, RBI introduced new Rs. 50 notes, but the old ones continue being legal tender. The design is similar to the current notes in the Mahatma Gandhi (New) Series, except they will come with an inset 'A'.

34. (3) Risk-weighted assets are used to determine the minimum amount of capital that must be held by banks and other institutions to reduce the risk of insolvency. The capital requirement is based on a risk assessment for each type of bank asset. For example, a loan that is secured by a letter of credit is considered to be riskier and requires more capital than a mortgage loan that is secured with collateral.
35. (4) Futures term used to designate all contracts covering the purchase and sale of financial instruments or physical commodities for future delivery on a commodity futures exchange. SWAPS is contractual agreement of exchanging a stream of payment with opposite & matching receipt to reap the benefits arising due to market discrepancies. Hedging, method of reducing the risk of loss caused by price fluctuation. It consists of the purchase or sale of equal quantities of the same or very similar commodities, approximately simultaneously, in two different markets with the expectation that a future change in price in one market will be offset by an opposite change in the other market. A forward contract is an agreement between the buyer and a seller an asset or a commodity at a future date with the price of the asset, fixed at the time the contract is made. As the name suggests, the contract merely binds two parties to exchange the asset at a determined time in the future at a price that was agreed upon initially. The price at which the contract is fixed is referred to as the delivery price or the forward price. Forward contracts are not standardized, meaning the terms of the quantity, quality of the asset and other factors are negotiated on a contract basis.
36. (4) Electronic banking (E-banking) is a generic term encompassing internet banking, telephone banking, mobile banking etc. In other words, it is a process of delivery of banking services and products through electronic channels such as telephone, internet, cell phone etc. The concept and scope of E-banking is still evolving. Another mode for internet

payments is the electronic cheques. In general Internet Banking refers to the use of internet as a delivery channel for the banking services, including traditional services, such as opening an account or transferring funds among different accounts, as well as new banking services such as electronic bill presentation and payment which allows the customers to pay and receive the bills on a bank's website. Various Modes of Electronic Funds Transfers in India – NEFT, RTGS and IMPS. Real Time Gross Settlement as the name suggests is a real time funds transfer system which facilitates you to transfer funds from one bank to another in real time or on a gross basis.

37. (2) India is one of the largest exporter of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to the total foreign reserves of the country.
38. (3) The areas of intellectual property that it covers are: copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations); trademarks including service marks; geographical indications including appellations of origin; industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.
39. (2) The International Monetary Fund (IMF) is an international organization headquartered in Washington, D.C., of "189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world".
The International Monetary Fund and the World Bank were both created at an international conference convened in Bretton Woods, New Hampshire, United States in July 1944.
40. (4) Both the statements-I and II are correct.
41. (2) AS - 6 standard deals with depreciation accounting and applies to all depreciable assets, AS - 3, 'Cash Flow Statements' (revised 1997), issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-1997.
AS - 10, financial statements disclose certain information relating to fixed assets. In many enterprises these assets are grouped into various categories, such as land, buildings, plant and machinery, vehicles, furniture and fittings, goodwill, patents, trade marks and designs.
AS - 21, 'Consolidated Financial Statements', issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-2001. An enterprise that presents consolidated financial statements should prepare and present these statements in accordance with this Standard.
42. (2) (a), (b) and (d)
43. (3) Systematic risk is the risk inherent to the entire market or market segment. Systematic risk, also known as "undiversifiable risk," "volatility," or "market risk," affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.
Example of systematic risk
 - (a) Elimination of Government Subsidy
 - (b) Increase in Bank Rate

44. (2) Advantages of Responsibility Accounting

1. It introduces sound system of control - a system of closer control.
2. Each and every individual in the organization is assigned some responsibility and they are accountable for their work.
3. Everybody knows what is expected of him. Nobody can shift responsibility to anybody else if something goes wrong.
4. It is effective tool of cost control and cost reduction applied with budgetary control and standard costing .
5. It facilitates the management to set realistic plans and budgets.
6. It is not only a control device but also facilitates decentralization of decision-making.
7. It measures the performance of individuals in an objective manner.
8. It fosters a sense of cost-consciousness among managers and their subordinates.
9. It helps the management to make an effective delegation of authority and required responsibility as well.
10. Under the system of responsibility accounting, detailed information is collected about costs and revenue, on a continuous basis and the data is helpful in planning for future costs and revenue.

45. (4) Present Value Analysis : In this method, the present value of the annual lease payments (tax adjusted) is compared with that of the annual loan repayments adjusted for tax shield on depreciation and interest and the alternative which has the lesser cash outflow will be chosen.

A bargain purchase option is an option in a lease agreement that allows the lessee to purchase the leased asset at the end of the lease period at a price substantially below its fair market value. The bargain purchase option is one of four criteria, any one of which, if satisfied, would require the lease to be classified as a capital or financing lease that must be disclosed on the lessee's balance sheet. The objective of this classification is to prevent "off-balance sheet" financing by the lessee.

Leases are classified into different types based on the variation in the elements of a lease. Very popularly heard leases are financial and operating lease. Apart from these, there are sale and lease back and direct lease, single investor lease and leveraged lease, and domestic and international lease.

46. (3) The system of inflation accounting now accepted in U.K. is called the Current Cost Accounting System evolved in the initial stages by the Sandilands Committee. The system has been extensively studied and debated and now it has been finalised by the issue of SSAP 16 (Statement of Standard Accounting Practice).**47. (2)** Mergers and acquisitions are strategic decisions leading to the maximization of a company's growth by enhancing its production and marketing capabilities. It has accelerated because of enhanced competition, breaking of trade barriers, free flow of capital deregulated and globalization of business as a number of economies are being deregulated and integrated with other economies. A number of reasons are attributed for mergers and acquisitions :

- To limit competition.
- To utilize under utilize market power.
- To overcome the problem of slow growth and profitability in one industry.
- To achieve diversification.
- Gain economies of scale and increase income with proportionately less investment.

- Establish a transitional bridgehead without excessive start up costs to gain access to a foreign market.
- Utilize underutilized resources : human and physical and managerial skills.
- Displace existing management.
- Circumvent Govt. regulations.
- Reap speculative gains attendant upon new security issue or change in Price/ Earning rates.
- Create an image of aggressiveness and strategic opportunism, empire building and to mass vast economic power of the company.

A company with a large taxable income will look at merging with a company with large carry forwards tax losses. By doing so, the acquiring company can lower the tax liability. A merger purely for reducing tax liabilities will not be approved by regulators, however, companies can hide this reason under other strong motivations to merge.

48. (3) A research technique used particularly in retailing (online and offline), in which consumers are recruited by researchers to act as anonymous buyers in order to evaluate customer satisfaction, service quality and customer's own evaluation of their experiences, is known as Mystery Shopping. Mystery shopping was standard practice by the early 1940s as a way to measure employee integrity. Tools used for mystery shopping assessments range from simple questionnaires to complete audio and video recordings. Mystery shopping can be used in any industry, with the most common venues being retail stores, hotels, movie theaters, restaurants, fast food chains, banks, gas stations, car dealerships, apartments, health clubs and health care facilities.

49. (1) **Market Leader**

Attack the market-create new uses, users or increase frequency of use.

Defend the position-regular innovation, larger ranges, price, cutting and discounts, increased promotion.

Market Challenger

Attack the market leader-use pricing, new product attributes, sharp increase in advertising spend.

Attack rivals-special offers and limited editions, offer superior competitive advantages. Maintain 'status quo'.

Market Follower

Avoid hostile attacks on rivals.

Copy the market leader the provide good-quality products that are well differentiated.

Focus on differentiation and profits, not market share.

Market Nicher

Provide high level of specialization-geographic, product, service, customer group.

Provide tight fit between market needs and the organization's resources.

50. (2) (II) and (III)

51. (4) The rise in digital resources, and their increasing use for marketing activities, is accompanied by complications and changes to legislation and regulated business practices. The types of legal, ethical and regulatory issues that marketers need to consider include the following :

- **Jurisdiction** : Where does digital marketing activity take place ? Commercial law in a based on transaction within national boundaries, but digital marketing exposes both individual organizations and the community to information, transactions and social activity outside these boundaries (e.g., EU legislation and Microsoft).

- **Ownership** : Who owns the content we create and share ? Copyright law is a national issues, and the copyright law (what can and cannot be used without the originator's permission) differ from one country to another. Some countries do not have copyright or intellectual property protection, and so ideas, designs, etc. sent to those countries can be taken and used without the agreement of the copyright holder. The value of copyright is also being questioned with the increase in user-generated and co-created content, and the rise of the Creative Commons (CC) free license system.
- **Permission** : Do we have the right permissions to upload and share content ? Privacy legislation is also national or regional, and the right of an individual or organization to use information is subject to this legislation. A new EU-wide cookies law, which came into place in 2012 requires companies to make it clear to users when they are saving a cookie onto someone's computer. Although some countries have no privacy legislation, the EU Data Protection Directive has resulted in Europe becoming one of the most highly regulated jurisdictions in the world when it comes to data protection requirements. However, that does not directly govern the activities of organizations founded in the USA (e.g., Microsoft, Facebook).
- **Security** : How secure are the data information we share ? Information and transaction security and protection from fraud and identity theft is another area of increasing change.

52. (3) (II) and (III)

53. (2) (II) and (III)

54. (3) (I) and (III)

55. (2) (A) is correct but (R) is not the correct reasoning of it.

56. (4) One of the methods of the sensitivity training is the T-Group. Bethel Maine of USA was the pioneer of the T-Group. It was considered necessary that to change behavior imparting necessary skills is required. A change in variety of skills and experiences like self-awareness, interpersonal relationships, team work, group, organizational process and inter-group conflict resolution. Sensitivity training has developed to the status of an intervention in organization development. T-Group training is process-oriented and not content-oriented where people operate a feeling level of communication, observing revealing, listening, unraveling messages.

57. (4) Statement (I), (II), (III) and (IV)

58. (3) Career commitment is determining the individual's career goals, integration with these career goals and identifies itself with these career goals.

Once team context and team composition support team effectiveness, the next step is to develop team competencies. Such competencies are not solely the attributes of individual team members but are competencies that are developed and shared by members of the team.

Organizational culture can be defined as the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit an organization together and are shared by its employees

Managers regularly acquire and use power. They do so deliberately and consciously as well as intuitively and unconsciously. Power-oriented behavior has an impact on managerial career progress, on job performance, on organizational effectiveness, and on the personal lives of employees. It involves the combined topics of power, influence, authority, and organizational politics.

59. (1) The subsistence theory of wages, advanced by David Ricardo and other classical economists, was based on the population theory of Thomas Malthus. It held that the market price of labour would always tend toward the minimum required for subsistence. If the supply of labour increased, wages would fall, eventually causing a decrease in the labour supply. If the wage rose above the subsistence level, population would increase until the larger labour force would again force wages down.

The term wages are used by Smith and Ricardo to denote contractual payment for hired labor. Basic to Ricardian Wage Theory was the distinction between the “market price” of labor and its “natural price.”

Market Price of labor = Supply and Demand of Labor

Natural Price of labor = subsistence wage

Surplus value, Marxian economic concept that professed to explain the instability of the capitalist system. Adhering to David Ricardo’s labour theory of value, Karl Marx held that human labour was the source of economic value. The capitalist pays his workers less than the value their labour has added to the goods, usually only enough to maintain the worker at a subsistence level. Of the total worth of the worker’s labour, however, this compensation, in Marxian theory, accounts for only a mere portion, equivalent to the worker’s means of subsistence.

Smith said that the demand for labour could not increase except in proportion to the increase of the funds destined for the payment of wages. Ricardo maintained that an increase in capital would result in an increase in the demand for labour. Statements such as these foreshadowed the wages-fund theory, which held that a predetermined “fund” of wealth existed for the payment of wages. Smith defined this theoretical fund as the surplus or disposable income that could be used by the wealthy to employ others. Ricardo thought of it in terms of the capital—such as food, clothing, tools, raw materials, or machinery—needed for conditions of employment. The size of the fund could fluctuate over periods of time, but at any given moment the amount was fixed, and the average wage could be determined simply by dividing the value of this fund by the number of workers.

According to residual claimant theory, wages are paid from the residual amount of total output left after paying for the three factors of production, namely rent, interest, and profit. As per this theory, the level of wages would increase with an increase in the productivity of labor.

60. (1) Both the statements are correct.
61. (3) (I) and (IV)
62. (2) The international Fisher effect (sometimes referred to as Fisher’s open hypothesis) is a hypothesis in international finance that suggests differences in nominal interest rates reflect expected changes in the spot exchange rate between countries. The hypothesis specifically states that a spot exchange rate is expected to change equally in the opposite direction of the interest rate differential; thus, the currency of the country with the higher nominal interest rate is expected to depreciate against the currency of the country with the lower nominal interest rate, as higher nominal interest rates reflect an expectation of inflation.
63. (1) Purchasing power parity (PPP) is a disarmingly simple theory that holds that the nominal exchange rate between two currencies should be equal to the ratio of aggregate price levels between the two countries, so that a unit of currency of one country will have the same purchasing power in a foreign country. The real exchange rate is the nominal

exchange rate (domestic price of foreign currency) multiplied by the ratio of national price levels (domestic price level divided by foreign price level); since the real exchange rate measures the purchasing power of a unit of foreign currency in the foreign economy relative to the purchasing power of an equivalent unit of domestic currency in the domestic economy, PPP would, in theory, imply a real, relative-price-level-adjusted exchange rate of one.

64. (3) **Free Trade Area** : The first (and least restrictive) form of economic integration is the free trade area/association which is a grouping of countries to facilitate free trade between them. The free trade area abolishes all restrictions on trade among the members. However, each member is left free to determine its own commercial policy with non-members.

Customs Union : A customs union is a more advanced level of economic integration than the free trade area. It not only eliminates all restriction on trade among members but also adopts a uniform commercial policy against the non-members.

Common Market : The common market is a step ahead of the customs union. A common market allows free movement of labour and capital within the common market, besides having the two characteristics of the customs union, namely, free trade among members and uniform tariffs policy towards outsiders.

Economic Union : A still more advanced level of integration is the economic union. Apart from satisfying the conditions of the common market mentioned above, the economic union achieves some degree of harmonisation of national economic policies, through a common central bank, unified monetary and fiscal policies etc. Example : the European Union (EU).

65. (2) Both (A) and (R) are correct and (R) is not the right explanation of (A).

66. (1) Statement (I) is correct but (II) is incorrect

67. (3) Offers for purchase of Government Securities shall be submitted by interested persons in the form of application (including electronic form) as specified by Reserve Bank of India from time to time. FIIs, NRIs and Overseas Corporate bodies predominantly owned by NRIs, however, should submit their applications through the designated banks which have been authorised by the Reserve Bank of India to act as a banker to FIIs or authorised to deal in Foreign Exchange as the case may be. Applications duly filled in should be submitted to the office of Reserve Bank of India or any other institution notified for the purpose, before the close of banking hours on the specified date/s.

Appointment of Domestic Custodian : A FII/global custodian acting on behalf of a FII has to appoint a domestic custodian to act as custodian of securities for the FII. The domestic custodian includes any person carrying on the activity of providing custodial services with respect to securities. The FII can appoint more than one domestic custodian with the SEBI's prior approval but only one for a single sub-account.

A domestic asset management company or portfolio manager, who is registered with SEBI as an FII for managing the fund of a sub-account can make investments under the Scheme on behalf of

- i. a person resident outside India who is a citizen of a foreign state, or
- ii. a body corporate registered outside India;

Provided such investment is made out of funds raised or collected or brought from outside through normal banking channel. Investments by such entities shall not exceed 5 per cent of the total paid-up equity capital or 5 per cent of the paid-up value of each series of convertible debentures issued by an Indian company, and shall also not exceed the overall ceiling specified for FIIs.

68. (1) Broken dates are arbitrary maturity dates that do not necessarily match the duration of the bond, option, futures contract, forward contract or other maturing instrument. Broken dates are also known as odd dates.
69. (1) The dividend received in the case of shares, as well as income from the Unit Trust of India (UTI) or other mutual funds, is taxable under the head 'income from other sources'. Any income arising from the transfer of a capital asset, being a unit of the Unit Scheme, 1964 referred to in Schedule I to the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and where the transfer of such asset takes place on or after the 1st day of April, 2002 shall be fully exempted.
70. (4) Any interest, salary, commission etc. received by the partner of a firm will be treated as business/professional income in hand of partner. However, the share of profit from partnership firm is exempt in hand of partner.
- Pension received by a family member though is taxed under income from other sources in your Income Tax Return. If this pension is commuted or is a lump sum payment it is not taxable.
- Tax on short-term capital gain when securities transaction tax is not applicable, If securities transaction tax is not applicable, the short-term capital gain is added to your income tax return and the taxpayer is taxed according to his income tax slab.
- Under Section 10(37) of the Income Tax Act, Capital Gains on compensation received on compulsory acquisition of urban agricultural land is exempt from tax.
71. (3) (a) and (d)
72. (1) Both (A) and (R) are correct and (R) is the correct explanation of (A).
73. (2) Income Tax Act 1961 is a statute that lays the basis of tax payments in India. The Act provides absolute guideline for determination of taxability in India. As per the Act, all people and artificial entities residing in India, be it individual, proprietary firm, a partnership firm or a company, is subject to abide by the Income Tax Act and need to pay tax and submit an annual Income Tax return, if their income exceeds the amount of income subject to tax. Tax is further subject to Education Cess of 2% on Income Tax and Secondary and Higher Education Cess of 1%. In addition to a Surcharge @15% on the Income Tax payable wherein the Taxable income exceeds Rs. 1 crore, a Surcharge @10% is levied on the Income Tax payable wherein the Taxable income exceeds Rs. 50 lakh.
74. (4) On the facts and in the circumstances of the case and in law, the Ld. CIT(A) has erred in directing the AO to allow deduction u/s. 54F of I.T. Act 1961, on the Long Term Capital Gains of Rs.1,19,82,600/- without appreciating the fact that the assessee failed to fulfill the conditions that the assessee should not have in possession of more than the one residential flat at the time of transfer of original asset and that in order to qualify the exemption, it is necessary to have the investment made in for residential house in the name of the assessee only.
75. (2) According to section 50 of Income tax act if an assessee has sold a capital asset forming part of block of assets (building, machinery etc) on which the depreciation has been allowed under Income Tax Act, the income arising from such capital asset is treated as short term capital gain.